Government of
Saskatchewan

Annual Report
2006-2007

Saskatchewan
Agriculture
and Food

2007-04688/

Table of Contents

Letters of Transmittal **2**

Introduction **3**

Who We Are **3**
Stakeholder Consultations 5
Department Organization 7

2006-07 Results At A Glance **9**
Summary of Performance Results 9
Summary of Financial Results 10

Risk Factors **11**

Year in Review **12**

2006-07 Performance Results **16**
Goal 1 – Prosperous, sustainable, agricultural production and processing industries 16
Goal 2 – Strong, resourceful rural people, families and communities 35

Financial Schedules 2006-2007 ..... **38**
Schedule of Revenue and Expenditures 38

Financial Schedules – Notes **40**

Revolving Funds, Loans and Guaranteed Debt Information **42**

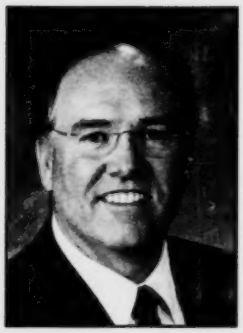
Special Warrant Funding **42**

Where to Obtain Further Information **42**

Appendices **43**
Appendix A – Revolving Funds 43
Appendix B – Loans and Guaranteed Debt 44
Appendix C – Saskatchewan Legislation Administered by Saskatchewan Agriculture and Food 2006-07 46
Appendix D – Special Purpose Funds and Agencies with Legislative Responsibilities to Saskatchewan Agriculture and Food as of March 31, 2007 47
Appendix E – Assistance to General Agricultural Interests 48
Appendix F – Regulatory Amendments 50

This annual report is also available in electronic format from the department's website at **www.agr.gov.sk.ca**.

Letters of Transmittal



July 2007

His Honour
The Honourable Dr. Gordon L. Barnhart, S.O.M., Ph.D.
Lieutenant Governor of the Province of Saskatchewan

Your Honour:

As Minister of Saskatchewan Agriculture and Food, it is my pleasure to submit the annual report for the twelve months ending March 31, 2007.

Respectfully submitted,

The Honourable Mark Wartman
Minister of Agriculture and Food

July 2007

The Honourable Mark Wartman
Minister of Agriculture and Food

Sir:

I wish to present to you the annual report of Saskatchewan Agriculture and Food for the fiscal year ending March 31, 2007.

Respectfully submitted,

Harvey Brooks
Deputy Minister

Introduction

The 2006-07 Annual Report of Saskatchewan Agriculture and Food (SAF) describes actual departmental results for the key actions and performance measures that were published in the 2006-07 Performance Plan. The report also describes results associated with the key actions included in the Budget and Performance Plan Summary for 2006-07, the government-wide plan released with the 2006 Budget.

The format and content enhancements to this year's annual report are consistent with the Government's Accountability Framework, its system of planning, measuring and reporting. The 2006-07 Annual Report provides information about, and analysis of the performance results obtained, including comparisons to historical trends and assessments of how they contribute to the longer-term outcomes the department seeks to achieve. This reporting of actual year-end results – both financial and performance – as compared to the plan released a year earlier, increases the department's accountability to the public.

SAF's 2006-07 Performance Plan was released with the provincial budget on April 6, 2006. It may be found at; www.agr.gov.sk.ca/docs/programs_services/agriculture0607plan.pdf.

The government-wide plan Budget and Performance Plan Summary for 2006-07 is available at; www.gov.sk.ca/finance/budget/budget06/budgetsummary.pdf.

SAF's 2007-08 Performance Plan was released with the provincial budget on March 22, 2007 and can be obtained at; www.agr.gov.sk.ca/docs/programs_services/agriculture0708plan.pdf.

Who We Are

The mandate of SAF is to foster a commercially viable, self-sufficient, and sustainable agriculture and food sector. Working with individuals, businesses, communities, and governments, the department assists farmers and ranchers, encourages higher value production and processing, and promotes sustainable economic development in rural Saskatchewan.

Through these efforts, the department seeks to achieve its vision of "A thriving agricultural sector and dynamic rural communities that contribute to an enhanced quality of life for all Saskatchewan residents."

In pursuit of this vision and to deliver on its mandate, SAF provides programs, technical support and specialist services to encourage the expansion of the livestock sector, the diversification to higher value crops, and additional processing of agricultural production. A key and complementary aim is the encouragement of additional processing in Saskatchewan of this broad range of primary agricultural production. SAF is working to ensure that livestock projects are developed in an environmentally sustainable manner, disease surveillance occurs and farm quality assurance programs are developed to ensure the production of safe food.

The Agriculture Knowledge Centre (AKC) in Moose Jaw and the nine regional Agriculture Business Centres (ABCs) are key components of the department's delivery model, which reflects the emerging trends in information and technology transfer to farmers and is linked with other provincial and regional specialists throughout the department. The ABCs engage in three interlocking functions dealing with building community capacity, supporting agri-business development and building technical capacity for competitive value chains.

SAF administers approximately 7.3 million acres of Crown land that is leased to farmers and ranchers or operated as community pastures, including:

- 5.9 million acres of leased land classified as agricultural (cultivated, forage and native)
- 1.4 million other acres composed of:

- 32,717 acres of non-agricultural land such as oil and gas leases, quarry, public and commercial land;
- 51,790 acres of land under agreement for sale;
- 839,375 acres of provincial pasture land;
- 440,123 acres of Prairie Farm Rehabilitation Administration (PFRA) land; and
- 49,898 acres of vacant land.

Of the total area of Crown land administered by SAF, 3.4 million acres of uplands and wetlands, representing one-third of all wildlife habitat in the agricultural region, is reserved from sale and has specialized development restrictions under The Wildlife Habitat Protection Act. These natural areas make a significant contribution to maintaining existing wildlife populations and biodiversity across the agricultural region of Saskatchewan.

The department collected revenue of $27.7 million from Crown land (excluding revenues received under the Pastures Revolving Fund). This total includes rent on cultivation, hay and grazing leases, net proceeds of Crown land sales, petroleum and gas leases, and other land revenues and administration fees.

SAF regards the investment in research and development as an essential component towards our goal of long-term viability and growth of the agricultural production and processing industries. The department provides significant third-party funding for research and development. A significant portion of these resources are provided to various faculties and centres of the University of Saskatchewan or to research institutions associated with the University. This wide ranging group of research, animal heath and developmental institutions includes Ag-West Bio Inc., the Crop Development Centre of the University of Saskatchewan, the Prairie Agricultural Machinery Institute (PAMI), the Prairie Diagnostics Centre, the Prairie Swine Centre, various departments of the University of Saskatchewan, and the Vaccine and Infectious Diseases Organization (VIDO). These institutions play an essential role in delivering on the department's mandate to foster a commercially viable, self-sufficient and sustainable agriculture and food sector and in the encouragement of higher value production and processing. As a condition of the research and development contracts and agreements, these institutions are accountable to SAF for the funding received.

The department funds ongoing risk management programs to assist producers in offsetting risks in crop production, stabilize income and deal with economic disasters. Production insurance on a wide range of annual crops and crop classes and on forages, as well as weather based insurance products, is provided through the Saskatchewan Crop Insurance Corporation (SCIC). Income stabilization and disaster assistance is provided through the Canadian Agricultural Income Stabilization (CAIS) program. This program is jointly funded by the federal and provincial governments and is delivered in Saskatchewan by the Government of Canada. Although program guidelines are subject to federal-provincial-territorial agreement, the federal administration determines specific program delivery parameters and administrative processes.

Saskatchewan signed the Agricultural Policy Framework (APF) Agreement with the federal government and entered into the APF Implementation Agreement during the 2003 calendar year. These agreements establish funding commitments and programming in the areas of business risk management, food safety and food quality, science and innovation, environment and renewal that the department and/or the federal government will deliver to Saskatchewan producers during the period ending March 31, 2008. The department expects that it will invest at least $1 billion in the agricultural sector over this period in order to implement the APF.

A well informed and highly skilled SAF staff is vital to achieving the department's strategic goals. A number of programs and policies have been implemented recognizing SAF's need to recruit and retain skilled individuals. This objective is pursued in conjunction with the goals established in the department's Workforce Plan.

SAF provides timely, relevant and valuable information to producers and other stakeholders. The department redesigned the SAF website, with the goal of providing the information producers need to achieve their business plans and goals. Information is also disseminated through numerous publications and fact sheets, television and radio programs and interviews and newspaper articles. Key publications include: Agriview, a newsletter delivered directly to farm and rural households around the province every month; Crop Report, a weekly summary of Saskatchewan crop conditions and precipitation during April-November; StatFacts, periodic statistical bulletins on a variety of topics including crops, livestock and farm finance; Market Trends, a weekly report of prices and marketings for grain, hogs and cattle; Cattle Marketings, a monthly and annual summary of Saskatchewan cattle marketed and prices; and Agricultural Statistics Fact Sheets, a summary of provincial statistics produced in 10 languages. Historical agricultural statistics for the province are also available under the site category – Statistics of the department's web site home page.

SAF also has a presence at major trade shows, including the Western Canadian Crop Production Show, Western Canada Farm Progress Show, Canadian Western Agribition and many local events throughout the province. Additionally, the Minister, Deputy Minister and department officials and staff undertake numerous speaking engagements and presentations at industry events. These activities foster mutual awareness of issues and concerns and help ensure the policies, programs, and services of the department are highlighted and understood.

In addition to activities led by the department, SAF is a participant in the provincial Safe Drinking Water Strategy, which is led by the Saskatchewan Environment. Our role in water management centers on the relationship between agricultural activities and water resources. SAF protects drinking water source supplies through research and technology, regulatory and transfer programs.

Stakeholder Consultations

SAF is keenly aware that our agricultural production and processing industries operate in an extremely dynamic environment that requires evolving and adapting to the challenges and opportunities of a rapidly changing world. As such, our strategic planning must take into account the current state of the industry, the longer-term trends and emerging opportunities. Part of that process of understanding the agricultural environment includes continuous dialogue with producers and producer organizations. The following organizations and groups have a primary interest in working with the department to improve the agricultural sector and the rural economy.

Farm Leaders Advisory Group (FLAG)

FLAG consists of approximately 60 individual farm leaders representing general farm groups, commodity organizations, policy committees and other agricultural stakeholders such as agri-businesses and research/educational institutions. FLAG works with the Minister and the department to define the broad issues that are affecting our industry, and to collectively develop strategies to address those issues.

Farm Support Review Committee (FSRC)

The FSRC is comprised of 19 members whom are appointed by the Minister of Agriculture and Food to provide feedback and input to the government on safety net/business risk management issues. Membership on the FSRC consists of eight representatives of farm organizations and 11 members-at-large who are appointed from across the province to maintain gender and regional balance on the committee.

The Livestock Loan Guarantee Program Producer Advisory Committee

This 11 member Producer Advisory Committee is made up of representatives from the cattle industry (regionally), the bison and sheep industries (provincially) and the lending sector. In addition to recommending program changes to government, the Committee ensures that producers' and lenders' needs and concerns are brought forward in discussion with government on program policy and general operating guidelines.

Commodity Development Boards/Commissions

Producer organizations, including the Saskatchewan Pulse Crop Development Board, Sask Pork, Saskatchewan Canola Development Commission, Saskatchewan Mustard Development Commission, Saskatchewan Oat Development Commission, Saskatchewan Winter Cereals Development Commission, Saskatchewan Flax Development Commission, Saskatchewan Alfalfa Seed Producers Development Commission, Saskatchewan Forage Seed Development Commission, Canary Seed Development Commission of Saskatchewan, Saskatchewan Beekeepers Development Commission, and the Saskatchewan Sheep Development Board are consulted regarding program development and delivery. They also provide critical support for programming and service delivery on specific problems.

Agriculture Development Fund Board

This 14 member board assists in determining objectives for the fund, making recommendations for the development and revision of research and development programs, reviewing project and program proposals and recommending funding.

Canada-Saskatchewan Agri-Environmental Advisory Council

This 15 member Council is composed of experienced and respected producers and was established in 2004 to guide APF environmental programming design and delivery. It endorsed the governance structure, main program elements and the delivery agent for individual Environmental Farm Plans and continues to provide guidance on current programming. The Council may also be asked to advise on agri-environmental issues outside of APF programming.

World Trade Organization (WTO) Provincial Working Group

The WTO Provincial Working Group was created to develop priorities that all of Saskatchewan agriculture interests can support and to promote a cohesive industry outlook that will aid Canadian negotiating efforts at the WTO talks. This will ensure Saskatchewan interests can be advanced on the national stage on a timely basis and through Canada on to the international stage.

Beef Industry Advisory Committee

The 12 member committee is comprised of representatives from the entire beef value chain, including cattle producers, livestock market and order buyers, meat processors, financial institutions and rural municipalities. The committee was established to provide advice to SAF on matters related to growing and developing the beef industry in Saskatchewan by identifying areas of interest specific to the beef industry, issues to be addressed and areas that require research and analysis.

Traceability Advisory Committee

The committee was founded to provide advice, guidance and leadership to SAF and provincial livestock industries on the National Livestock Traceability System (NLTS). The committee is comprised of 13 major provincial livestock and poultry stakeholder groups and reports to the Minister. The primary objectives are to develop collective provincial recommendations for a NLTS, ensure a broad and common level of understanding is developed between provincial stakeholder groups, and to provide leadership and support for implementation of a NLTS.

Industry Organizations

SAF has made a major commitment to on-going consultations and regular meetings with a wide range of producer and agri-business organizations, such as the Saskatchewan Association of Rural Municipalities, the Agricultural Producers Association of Saskatchewan, the National Farmers Union, the Saskatchewan Stock Growers Association, the Saskatchewan Cattle Feeders Association, the Saskatchewan Organic Directorate, the Saskatchewan Agrivision Corporation Inc., the Saskatchewan Food Processors Association, the Canadian Wheat Board, and many others. These meetings are essential for understanding the needs and concerns of the industry at any given time and are often a way of discussing potential policy initiatives. The Minister also meets with numerous other organizations and individuals within the agri-food sector.

Department Organization

As of March 31, 2006, SAF had 532.1 and SCIC had 319.9 full-time equivalent (FTE) positions at 26 communities throughout the province, with the head office located in Regina. The location of the department's Agriculture Business Centres, the Agriculture Knowledge Centre, Lands Branch Offices, other field offices and SCIC offices are included in the following list:

Assiniboia, Davidson, Estevan, Humboldt, Kindersley, La Ronge, Leader, Melville, Moose Jaw, Moosomin, Nipawin, North Battleford, Outlook, Preeceville, Prince Albert, Raymore, Regina, Rosetown, Saskatoon, Shaunavon, Swift Current, Tisdale, Turtleford, Watrous, Weyburn, Yorkton.

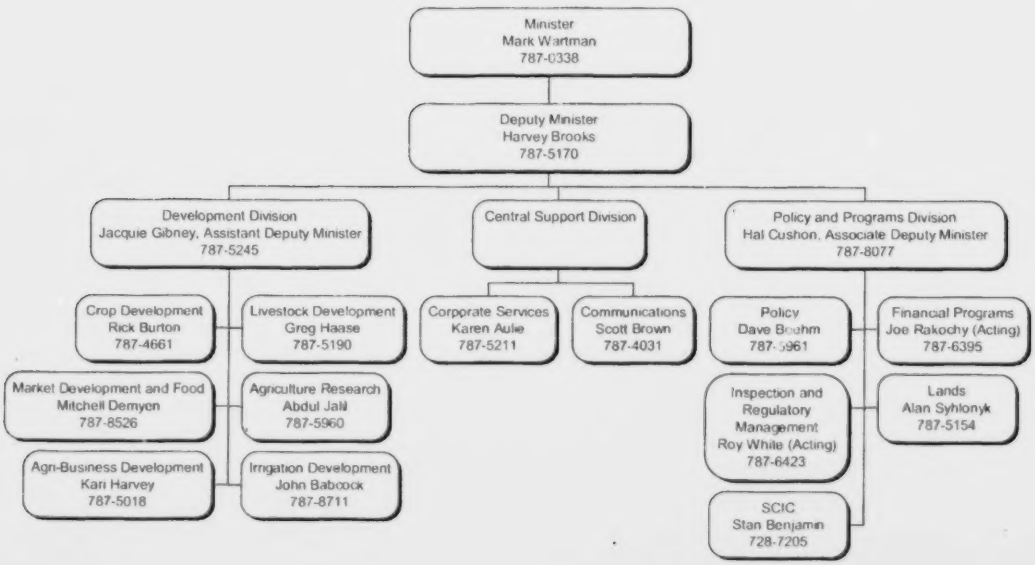
The following is a breakdown of the FTE positions at the beginning of the fiscal year:

Central Management and Services Minister and Deputy Minister's Office, Corporate Services Branch	**40.0**
Land Management Lands Branch	**42.1**
Inspection and Regulatory Management Inspection and Regulatory Management Branch	**32.0**
Policy and Planning Communications and Policy Branch and Business and Information Technology Services	**49.7**
Agriculture Research Agriculture Research Branch	**12.5**
Agriculture Development and Technology Transfer Agri-Business Development, Crop Development, Irrigation Development, Livestock Development and Market Development and Food Branches	**173.0**
Financial Programs Financial Programs Branch	**58.7**
Revolving Funds[1]	**124.1**
Total (SAF)	**532.1**
Saskatchewan Crop Insurance Corporation	**319.9**
Total (Organization)	**852.0**

[1]Revolving Funds consist mostly of seasonal employment for the Saskatchewan Pasture Program and Livestock Inspection Services.

Saskatchewan Agriculture and Food is composed of three major divisions: Development Division, Central Support Division and Policy and Programs Division, which includes Saskatchewan Crop Insurance Corporation (SCIC).

Saskatchewan Agriculture and Food
March 31, 2007



2006-07 Results At A Glance

Key highlights of industry and SAF's 2006-07 performance and financial results are contained in this section. Many of these results continue to be directly impacted (positively as well as negatively) by weather and international market disruptions.

Saskatchewan farmers harvested 25.6 million tonnes of the major grains, oilseeds, and specialty crops for the 2006 crop year. Production was two per cent above the 10 year average but 19 per cent below the record 2005-06 crop year production of 30.7 million tonnes. The quality of the 2006 crop was above average due to the hot dry weather over most of July and the favourable harvest conditions experienced by most of the province. The hay crop saw a good year in 2006 with above average production with most of the hay being good to excellent quality.

For the first time in several years grain producers welcomed rising prices throughout the latter part of 2006 and into 2007 as the biofuel industry in the US and Canada created a significant new demand for grain and some global production shortfalls decreased supply.

During the year the cattle sector continued to rebound from Bovine Spongiform Encephalopathy (BSE) induced economic stresses, including the loss of access to the United States (US) market. The US market has opened to cattle under 30 months and may open again to cattle over thirty months in 2007. The hog industry experienced a difficult year with decreasing commodity prices, increased feed costs and uncertainties in the processing sector.

Despite these mixed developments, the department achieved several successes that furthered the development and progress of the provincial agricultural sector and the people and families that make up the industry.

Summary of Performance Results

A summary of the most important results achieved by SAF with respect to the goals identified by the department in its 2006-07 Performance Plan follows. More detailed information on the results associated with all key actions and performance measures are provided in the next section.

Goal 1 – Prosperous, Sustainable, Agricultural Production and Processing Industries

- Supported increased production and finishing of slaughter steers and heifers compared to the (2001-2005) five-year average. During calendar year 2006, 238,240 animals were marketed by Saskatchewan producers. This represents a six per cent increase over the five year average, but is down from the almost 284,000 head marketed in 2005.
- Contributed to a six per cent increase in total hogs marketed in the province during calendar year 2006 to 2.60 million animals.
- Assisted in national effort to reopen the US market to live cattle over thirty months sometime in 2007 in order to resume normalized trade with the US.
- As of January 1, 2007, beef cow population numbers were down five per cent compared to a year earlier but more than 13 per cent above the (pre-BSE) level of January 1, 2003. This decrease is primarily a result of Saskatchewan slaughter capacity switching from cattle under thirty months to older cattle that had built up while the US border was closed.
- During 2006, the value of crop output per acre declined 16 per cent from the value for 2005, a year of record high production, but still saw an increase of 1.4 per cent over 2004 due to the high quality of the crop.
- Although Saskatchewan experienced a 3.8 per cent decrease in primary agriculture and select agri-value activities Gross Domestic Product (GDP) during the 2006 calendar year, agri-value GDP was still 5.3 per cent higher than 2004. As a result, the combined industry's share of provincial GDP remained over eight per cent
- Issued 34 approvals under The Agricultural Operations Act, representing an estimated $32.5 million in total capital construction costs.
- Made two initial payments of over $2 million

under the Saskatchewan Meat Processing Investment Rebate Program, representing a 15 per cent rebate on construction costs of new plant construction.

- Although there was an increase in summerfallow area as a percentage of total provincial cultivated land from 13.9 per cent in 2005 to 18.9 per cent in 2006, it was estimated that approximately two million acres were not seeded because of saturated field conditions due to spring flooding in northeast Saskatchewan.
- Utilizing the Provincial Council of Agriculture Development and Diversification Boards (PCAB) as the delivery agent, provided 1,548 Environmental Farm Planning (EFP) workshops since the beginning of 2005. A total of 11,525 farm units have participated in the first level, while 8,240 have continued to the second level and developed environmental farm action plans. A total of 7,711 action plans have been anonymously reviewed and approved by peer review committees.
- Provided approximately 28,300 customers with yield loss insurance on 22 million annual crop acres and nearly 513,000 tame forage acres. Weather based insurance products insured an additional 2.5 million acres. In 2006, SCIC insured 65.8% of all land seeded in Saskatchewan.
- Fully funded the provincial share of the Canadian Agricultural Income Stabilization Program (CAIS) for the 2006 claim year with additional financial appropriations of $60 million.

Goal 2 – Strong, Resourceful, Agricultural People and Families

- Responded to 16,475 technical and general inquiries through the Agriculture Knowledge Centre.
- Assisted 1,302 farmers/farm families in accessing the Canadian Farm Business Advisory Service (CFBAS), which provides consultation services for farm financial assessment and the preparation of a farm action plan.
- Assisted 3,599 applicants, consisting of farmers and their spouses, in accessing the Canadian Agricultural Skills Services (CASS) program. The purpose of this program is to enable farm families to improve family income through improved farm practices and building new agricultural enterprises; building new rural business ventures; or through obtaining additional employment income.

Summary of Financial Results

During 2006-07, the department incurred expenses of $370 million which is $105.1 million over the original expense budget of $264.9 million. The overexpenditure is primarily due to full funding of the 2006 Canadian Agricultural Income Stabilization Program, additional funding under the Agricultural Policy Framework to expand the capacity for research and innovation, and funding for the Unseeded Acreage Payment Program, and the Saskatchewan Specified Risk Material Management Program. Net savings in the Crop Insurance Program offset some of these additional expenditures. The department received funding of $104.1 million through Supplementary Estimates to cover the additional spending.

The following table provides a summary of actual expenses:

SAF Expenses	Actual ($ thousands)
Personal Services	22,575
Supplier and Other Payments	15,996
Transfers to Individuals	229,025
Transfers for Public Services	99,938
Amortization Expense	2,461
2006-07 Expenses	369,995

In 2006-07, the department collected $81.4 million in revenue; up $33 million from the Budget Estimate. The increased revenue was primarily attributed to a transfer received from the Federal Government for Wedge and Rollover funding under the Agricultural Policy Framework.

SAF budgeted 532.1 FTEs for 2006-07. The actual FTE utilization during the year was 509.8 which was 22.3 under budget. The decreased utilization was primarily due to vacancy management.

Risk Factors

Several key risk factors continuously and directly affect Saskatchewan's agricultural industry. The appropriate management of these factors by the industry and by SAF is essential if agriculture in Saskatchewan is to be successful in the long-term. The following on-going key risk factors are identified:

- Saskatchewan's competitive ability in world agricultural markets;
- Maintenance of environmentally sustainable and commercially viable agricultural production and processing industries; and
- Adequate diversification of the primary output of the sector as well as conversion of additional primary agricultural products to higher value products.

Saskatchewan's competitive ability in domestic and world agricultural markets:

- Saskatchewan's agricultural production and processing industries are mainly export orientated. A more open and less distorted trading environment is most suitable for such industries and must be pursued by the province and by industry in domestic discussions and international negotiations.
- The department must continuously develop and maintain effective provincial and national government links; similarly industry must develop and maintain domestic and international business links and partnerships. The provincial industry must ensure it can successfully diversify into new markets and adapt to changing market conditions and trade rules.
- Agricultural production and processing industries need to keep pace with, and ideally strive to lead in regard to commercial trends and technological developments; particularly those that impact their global competitive position.
- Research needs to be adequately funded by the public and private sector, and appropriately directed to address both cost of production pressures and consumer demands.
- Consumer confidence in food and animal health and safety and quality must be maintained and enhanced. Saskatchewan's agricultural production and processing industries must maintain a good reputation and be well-known domestically and internationally.
- Agricultural production and processing industries must be able to attract people with the ingenuity, resources and business initiative needed for the agricultural economy to thrive and grow.
- The department needs to play an appropriate leadership role in establishing overall agricultural policy and direction that encourages investment and growth.

Maintenance of environmentally sustainable and commercially viable agricultural production and processing industries:

- Commercially viable agricultural production is expected to occur under safe and sustainable environment conditions. SAF, working with other provincial and federal departments and agencies must provide the oversight, regulation and programs needed to ensure this occurs.
- Producers need to have access to adequate financial and personal support systems and to the tools and resources they need to develop and prosper.
- Business risk management programs (e.g., income stabilization programs) must be adequate, while encouraging producers, businesses and rural communities to respond effectively to changing market conditions.
- The department must identify stakeholders' needs and develop policies and programs that help to ensure the sustainability and viability of provincial agricultural production and processing industries.

Adequate diversification of the primary output of the sector as well as conversion of additional primary agricultural products to higher value products:

- The department needs to help provincial agricultural production and processing industries identify new business opportunities and work with them to develop strategies to take advantage of those opportunities.
- The department needs to help the agricultural production and processing industries find new ways to produce and market higher value products.
- The department may need to provide innovative and targeted financing to production and processing industries to encourage diversification and higher value production.

Year in Review

The 2006-07 fiscal year was a year of extremes across the province. In parts of the northeast, spring brought flooded cropland and in some areas of the southwest drought conditions prevailed. This resulted in fewer seeded acres, however, the total production for the 2006-07 crop year was slightly above the ten year average and of high quality. For the first time in several years grain producers welcomed rising prices throughout the later part of 2006 and into 2007 as the biofuel industry in the US and Canada created a significant new demand for grain. The livestock industry had a more challenging year. Although the cattle industry experienced a slight increase in cattle prices over 2005-06, prices remained below the five year average and feeders saw an increase in the price of grains for feed. The hog industry experienced a difficult year with decreasing commodity prices, increased feed costs and uncertainties in the processing sector.

The bright spots in the agriculture industry last year included:

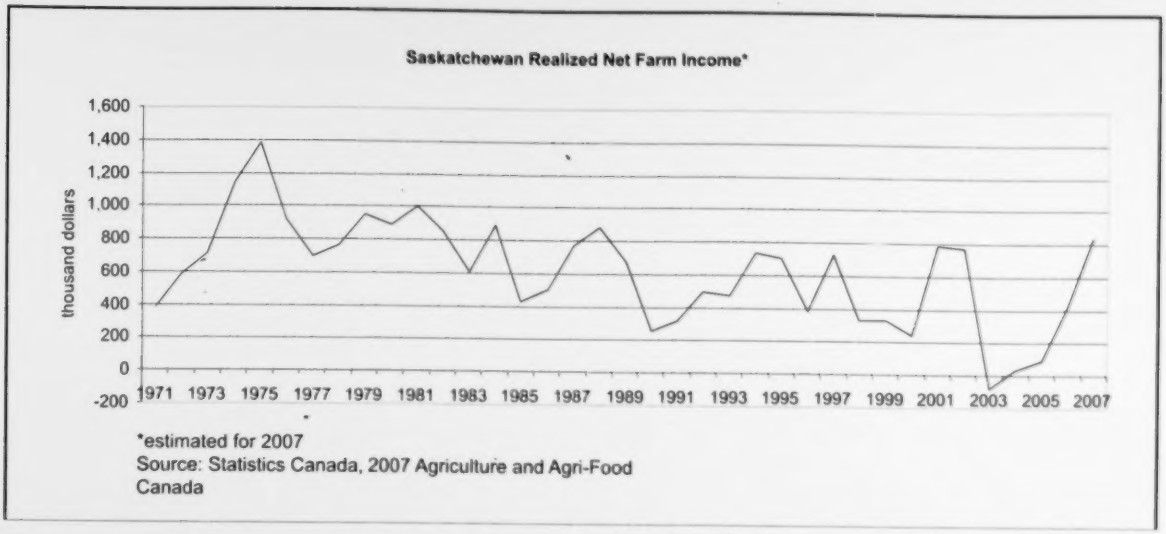
- The development of the ethanol and biodiesel industry in North America resulted in increased demand for coarse grains and oilseeds, increasing the price for most grains.
- The high quality crop from the fall of 2006 was a welcome change from the below average to average quality crops in previous years.
- SAF completed wedge funding negotiations with Agriculture and Agri-Food Canada (AAFC) resulting in $34.551 million being invested into research and innovation in Saskatchewan.
- The announcement by James Richardson International and Louis Dreyfus of their intention to build canola crushing facilities in Yorkton will provide another important market for canola in the province.
- The honey industry had a record crop but saw lower prices.
- The pulse industry saw a shift in production to red lentils with the development of red lentil processing facilities in the province.
- The federal government established national regulations for organic production.
- The first joint NAFTA (US-Canada) pesticide label was registered in March 2007.

The challenges in Saskatchewan agriculture in 2006-07 included:

- The continued appreciation of the Canadian dollar, making our exports more expensive to foreign buyers.
- High feed grain prices for the livestock sector.
- The steady rise of input prices, especially fuel and fertilizer.
- The continued trade restrictions for the cattle and beef market with the US, which remains closed to live Canadian cattle over 30 months of age and beef products from such animals.
- The failure of the WTO negotiations to come to a fruitful conclusion in 2006. This created a level of uncertainty about the future of trade rules for the industry.
- High water levels in northern Saskatchewan affected crop production resulting in a reduction in the wild rice crop.
- Drought conditions in some areas of southern Saskatchewan.
- An announcement by Maple Leaf that they would not be going ahead with expansion plans and in fact were shutting down their hog processing facility in Saskatoon resulting in considerable uncertainty in the hog industry.
- A decision by the Canadian Food Inspection Agency (CFIA) to implement the Enhanced Feed Ban on July 12, 2007, which will significantly change the way cattle slaughter waste material (specified risk material) is handled and disposed. The regulation will increase costs to slaughter and process cattle in Canada.

Improved realized net farm income (RNFI)

Aggregate RNFI has been trending down since the mid 1970s. In 2003, the worst year over this period, RNFI was negative $82 million. This was due to reduced crop marketings as a result of the 2002 drought and the impact of the US border closure due to BSE. For 2006, RNFI was $418 million, an increase from RNFI of $92 million in 2005, due to average production, a high quality crop, increased crop prices and program payments of over $1.2 billion. The AAFC farm income forecast is projecting 2007 RNFI to be $839 million, a 100 per cent increase over 2006. The recovery is expected to be led by higher crop receipts and program payments of over $800 million.



*estimated for 2007
Source: Statistics Canada, 2007 Agriculture and Agri-Food Canada

Grain crops:

The global production of wheat in the 2006-07 crop year was 594 million metric tonnes, one-half a per cent higher than the previous five year average but down from the previous year. The global production of corn was up eight per cent in 2006-07 from the previous five year average and soybeans were up 16 per cent. Both corn and soybean production increased from the 2005-06 crop year. In the United States, corn production fell by five per cent from 2005-06 to 2006-07, while soybean production rose by three per cent. Drought in Australia and parts of the EU resulted in lower global production for many grains which supported higher prices.

The demand for grains and oilseeds is rising around the world. The increase in ethanol production is the main driver for corn demand. To compensate for the corn moving into energy use, other grains such as wheat and barley are being looked at as livestock feed alternatives. Also, as more acres are planted to corn to supply the growing demand, fewer acres of other crops, such as oats, barley and other special crops, are being planted. The world vegetable complex is driven by increased population and rising incomes. In North America increasing consumer awareness about trans fats is driving the market towards vegetable oils with healthier qualities, such as canola. The continued use of corn, wheat and oilseeds in biofuels is expected to continue to pressure supply and support higher grain prices.

The 2005-06 Canadian Wheat Board (CWB) final price for No. 1 hard red spring wheat (13.5 per cent) ended at $195.14 per tonne in Vancouver. This was 11 per cent below the previous five year average of $217 per tonne. The average price of canola in

2006-07 increased by 20 per cent from 2005-06. The average price of yellow peas increased by 26 per cent compared to the previous year. In 2006-07, the average price for barley increased by 40 per cent.

Grain Prices (average, $/tonne)

	2000/01 to 2004/05 Five year average	2005/06	2006/07	2006/07 as a per cent of avg
Wheat 1 CWRS (13.5)*	217.21	195.14	219***	101%
Canola 1 Can**	309.58	244.65	290.71	94%
Yellow Peas**	181.13	128.72	160.08	88%
Barley 1CW*	157.57	131.76	190***	121%

Source: SAF, CWB. * Crop year, ** Fiscal Year, *** CWB PRO

Livestock:

The cattle industry had a difficult year financially due to the rising exchange rate and excess slaughter capacity in Western Canada. Exports of live cattle under 30 months to the US decreased during the 2006-07 fiscal year by 30 per cent compared to the

2005-06 fiscal year as producers who originally reduced their herd size by selling when the US

Livestock Prices (average, fiscal year)				
	2001/02 - 2005/06 Five-year average	2005/06	2006/07	2006/07 as a % of average
A Steers ($/cwt)	87.44	83.70	86.13	99%
Feeder Steers 5-600 lb ($/cwt)	127.55	130.99	124.74	98%
D1-D2 Cows ($/cwt)	39.86	30.77	34.91	88%
100 Index Hogs ($/cwt)	140.52	133.50	130.37	93%

Source: SAF

border opened returned their herd to a more manageable level. The concerns about anthrax in cattle continued from 2005 for many ranchers in the wet regions of northeast Saskatchewan.

The hog sector experienced a year of challenges with the announced closing of the Maple Leaf slaughter plant in Saskatoon. The exports of weanling pigs to the U.S. continued resulting in a smaller hog population in Saskatchewan. The exports of hogs under 50 kg increased by 35 per cent in value with the total value of hog exports increasing by 51 per cent from $29 million to almost $44 million.

Biofuel impact:
The 2006-07 fiscal year saw a lot of activity in the biofuel industry in Saskatchewan. In early 2007 the Husky Energy ethanol plant at Lloydminster started to produce at full capacity at 130 million litres. This is in addition to the NorAmera facility at Weyburn and Pound-Maker at Lanigan. The combined capacity of the three plants is 167 million liters per year. Several more ethanol and biodiesel plants are proposed for Saskatchewan or were under construction, including the Terra Grain Fuels facility at Belle Plaine.

At the North American level, the rapid development of the ethanol industry has pushed the price of corn up. The price of wheat had the benefit of the additional demand from Saskatchewan ethanol plants plus the run up in corn prices. The rise in corn prices impacted the price of almost all feed grain prices for the livestock sector. The result for livestock producers in 2006-07 was smaller production margins.

Crop Production:
The 2006 growing season started off wet in northeast Saskatchewan while the rest of the province saw good seeding conditions. It was estimated that at least two million acres were not seeded because of the wet conditions. The months of May and June provided good growing conditions for most of the province. However, in July and August the weather turned hot and dry and in turn reduced yields but promoted crop development.

Harvest started earlier than had been seen the past few years. The crop that came off was above average in quality due to the hot dry weather. The estimated total production was 25 million tonnes. The 2006-07 crop production was two per cent above the 10 year average but 19 per cent below the record 2005-06 crop year production of 30.7 million tonnes.

The hay crop in 2006 was above average in production with most of the hay being good to excellent quality. The southwest region of the province had below average hay crops due to lack of soil moisture.

Agricultural trade policy:
In July of 2006 the World Trade Organization (WTO) agriculture negotiations were officially suspended because the US would not commit to reductions of subsidies and the EU for an increase in market access. Negotiations have since been re-launched in January of 2007.

The political changes within the US that resulted from the November 2006 congressional elections affected both the WTO negotiations and the development of the next US Farm Bill. The

Congressional Agriculture Committees are drafting the first versions of the next Farm Bill and both Chairpersons have expressed support for the current Farm Bill including trade distorting subsidies.

A future concern for Saskatchewan livestock and meat exports is the country of origin labeling (COL), which will likely be implemented in 2007. Unless the current rules are rewritten the mandatory COL will be extremely problematic for Canadian livestock producers. The proposed rules for beef, lamb and pork would require livestock to be born, raised and slaughtered in the US before the meat product can be labeled as a product of the US. Analysis of the impacts on the Canadian beef and pork industry suggest that mandatory COL will significantly reduce the prices received by Canadian producers.

On February 21, 2007 the Government of Canada and the CWB filed a legal challenge in the U.S. Court of International Trade (CIT) over the US duty refund on wheat. The US is claiming that duties collected before an anti-dumping/countervailing (AD/CV) order is overturned due to a NAFTA challenge do not need to be refunded. The Canadian Parties in this action (the CWB, the Government of Canada, and several provincial governments, including Saskatchewan) are asking the US court to again order the US to comply with the NAFTA bi-national panel review and revoke duty orders back to the date of the original decision to impose them.

The first joint NAFTA (USA-Canada) pesticide label was registered in March 2007. This was a result of a December 2005 NAFTA Pesticide Working Group initiative and this successful pilot will serve as the model for future NAFTA labels. There are currently several more products being worked on. At a Canadian Minor Use of Pesticide Priority Setting Workshop (March 2007, Ottawa), it was evident that pesticide producers are making a conscious effort to introduce new products/chemistry into the Canada-US markets in a harmonized manner. This is a positive development for Saskatchewan farmers as it will provide them more comparable access to the latest pesticide products as they become available to their US counterparts.

A look ahead at 2007-08:

- Market demand for grains and oilseeds should keep upward pressure on commodity prices.
- The 2007-08 crop is starting off with good growing conditions, but there is excess moisture in some northeast areas.
- The WTO negotiations will be resumed and several bilateral agreements with countries will provide greater market access for Saskatchewan producers.
- The 2007 US Farm Bill will be implemented this year.
- COL may be implemented in some form during the year.
- In January 2005, the United States Department of Agriculture proposed BSE Rule #2 to allow the import of live cattle and beef from Canada for cattle over 30 months of age. This rule is expected to come into effect in 2007/08.
- The appreciation of the Canadian dollar will continue to depress producer incomes.
- The Farm Leaders Advisory Group (FLAG) will continue their work to develop plans to transform the agricultural sector.
- The current Agricultural Policy Framework expires on March 31, 2008 and the Next Generation of Agricultural Policy will be negotiated during the year.

2006-07 Performance Results

The following section provides detailed information on the progress SAF has made toward achieving our goals and longer-term objectives. The key actions originally presented in our 2006-07 plan are listed below, followed by a report on actual progress for each. Actual results information is included for all key actions and performance measures that were published in our 2006-07 Performance Plan, as well as for all commitments related to Saskatchewan Agriculture and Food in the government-wide Budget and Performance Plan Summary for 2006-07. Further information about the performance measures is available in SAF's 2006-07 Performance Plan, at www.agr.gov.sk.ca/docs/programs_services/agriculture0607plan.pdf.

Goal 1 - Prosperous, sustainable, agricultural production and processing industries

Objective 1 – Increased livestock production and diversification to higher value crops

One of the best opportunities to create jobs and economic growth in Saskatchewan is through further development of the livestock industry, particularly the cattle and hog sectors. Increases in such livestock production have the potential to encourage expansion in our domestic meat processing sector. An increase in the value of production per acre of crop land will also result in a larger rural economy and contribute to employment in rural Saskatchewan. This increase may be achieved through higher yields, more intensive use of land, decreased land in summerfallow and the growing of higher value crops.

Steady progress was made toward the objective of increased livestock production and diversification to higher value crops in 2006-07. Sales in 2006 of slaughter steers and heifers were six per cent above the 2001-05 average at 238,240 head, but had declined from the 284,000 sold during the previous year. Beef producers decreased their cow herd to 1.48 million head as of January 1, 2007, down five per cent over 2006. This decrease is primarily a result of Saskatchewan slaughter capacity switching from cattle under thirty months to older cattle that had built up while the US border was closed. In comparison, an increase of almost two per cent occurred in 2006. Further increases or even maintenance of current inventory may not continue into the longer term if US markets eventually reopen to older animals and meat produced from such animals. A new beef slaughter plant started operations in 2006 with a capacity to process up to 50,000 animals per year.

The number of hogs marketed in the province during 2006 grew by six per cent to 2.60 million animals. As of January 1, 2007, Saskatchewan pork producers increased the breeding herd by three per cent to 133,000 sows and gilts, a historical record. However, total hogs on farms were 1.3 million head, a decline of five per cent compared to the year earlier. The pork processing industry suffered a setback when Maple Leaf Foods announced it will close its existing plant and not proceed with previously announced intentions to build a new slaughter facility in Saskatoon.

During 2006 the value of crop output per acre, as calculated by SAF declined to $73.67, down 16 per cent from the $88.06 per acre estimated for 2005, a year of record high production, but still an increase of 1.4 per cent over 2004.

To help realize the objective of increased livestock production and diversification to higher value crops, the department has identified nine key actions. These actions are to:

- Proactively identify potential development opportunities and infrastructure requirements and provide project support for new or expanding agricultural enterprises
- Implement strategies to attract new people and investment to the livestock industry
- Provide livestock and crop development information and services
- Provide livestock disease, crop disease and pest surveillance
- Continue to build our irrigation sector in co-operation with federal, provincial and industry counterparts
- Assist the continued growth in the organic sector through further development of certification processes, markets and investment in

production research
- Pursue increases in Saskatchewan's production quota allocation for targeted supply management commodities
- In co-operation with the federal government pursue improvements in the rules governing international trade and international market access, and continue our response to trade protectionist actions
- Manage agricultural Crown land and develop options for best use of the asset

The activity by SAF and the results associated with each of these key actions follows.

- **Proactively identify potential development opportunities and infrastructure requirements and provide project support for new or expanding agricultural enterprises [2006-07 planned result]**

    - SAF continued to provide assistance to community groups that are examining the economic feasibility of expanding beef production capacity in the province. The Feedlot Capital Cost study was commissioned to compare capital costs associated with construction of a feedlot in Saskatchewan versus Alberta. This study represents one of the factors being examined as part of a larger more comprehensive Feedlot Competitiveness Review.
    - SAF continues to work with feedlot and cow calf operators that are seeking to establish or expand their activities in the province. Department staff organized and delivered a series of workshops instructing producers how to use decision making tools to assist in planning expansion of livestock enterprises and in evaluating marketing decisions.
    - For the fiscal year, 34 approvals were issued under The Agricultural Operations Act, compared to 30 during the previous year. The capital construction costs for the approvals issued are estimated at $32.5 million, compared to $28.7 million for 2005-06.

Project support offered by the department for new and expanding livestock enterprises can only be successful if the regulatory and technical infrastructure is in place. During the 2006-07 fiscal year, (denotes previous year statistics) the department:

- Provided livestock inspection services at 38 (41) auction markets, 22 (21) feedlots, one (one) slaughter plant and ten (ten) abattoirs.
- Inspected 1,932,199 (1,889,530) animals on 127,568 (139,902) manifests and provided brand verification for 101,851 (178,955) animals.
- Documented livestock movement through the issuance of 48,069 (53,622) permits.
- Issued or renewed 33 licenses for game farm activity. Total licensed game farm operators in the province stood at 571 (567) in fiscal year 2006-07. These operations have 37,857 (40,400) game farm animals (elk, white-tailed deer, mule deer, fallow deer, big horn sheep, caribou, reindeer, moose and antelope).
- A series of Anthrax outbreaks occurred across northern and east central regions of Saskatchewan. SAF, in cooperation with CFIA, quickly responded with information meetings, printed material and a communication program. SAF staff assisted with spring meetings to update producers on vaccination programs.

Numerous initiatives also were undertaken in the crops sector. During 2006-07:

- Crop Development staff helped to coordinate the 2006 Ethanol Variety Trials Project. The project evaluated the agronomic and feedstock suitability of various Canadian wheat varieties that could be used for ethanol production. In 2006, the research was conducted at nine locations in Alberta, Saskatchewan and Manitoba.
- Supported long-term research designed to add value to Saskatchewan oilseed crops including their utilization for biodiesel production and participated on the Saskatchewan Biodiesel Taskforce.
- Provided assistance to individuals and organizations in Northern Saskatchewan harvesting and marketing or considering the production of non timber forest products such as wild mushrooms, wild berries, fiddleheads and fireweed.

- Co-ordinated the Agri-ARM Program at eight locations around the province, which targets projects focused on diversifying the predominant cropping systems. A total of 800 people attended field days that highlighted the research and demonstration projects at the farms. Presentations were also made by Crop Development staff at field days highlighting new crop opportunities.

Supported producer groups in the formation the Saskatchewan Oat Development Commission and the Saskatchewan Winter Cereals Development Commission. This resulted in the implementation of check-off plans to establish respective producer-based development funds.

- **Implement strategies to attract new people and investment to the livestock industry [2006-07 planned result]**

  - Immigration from other provinces and countries is seen as a tool to expand livestock and processing industries in Saskatchewan. The department again participated in the Last Cattle Frontier presentations in Alberta, designed to attract livestock producers to east-central Saskatchewan.
  - SAF continued to work with the Department of Advanced Education and Employment to assist the industry in utilizing the Saskatchewan Immigrant Nominee Program and the Foreign Workers Program to help fill gaps in their labour supply.
  - The Green Certificate Program was delivered to 52 new trainees and 47 existing trainees across Saskatchewan. Trainees were enrolled in cow-calf, field crop, feedlot, dairy and sheep production courses. SAF delivered Green Certificate training to Chacachas First Nations and also worked with First Nations interested in development initiatives such as converting grain lands to forage for increased livestock.
  - SAF also administers the Livestock Loan Guarantee (LLG) Program. This provides producers with alternative financing options for purchase of livestock or for construction of feedlot facilities. Under the association option, Saskatchewan residents establish production associations to borrow funds, on the strength of a government guarantee to the lender and the association's assurance fund. The funds are used by associations to purchase feeder and breeder cattle, sheep and bison. Several initiatives under the financial option were undertaken in 2006-07, including:
    - Increased the member maximum amount for both options from $225,000 to $300,000; and
    - The Individual Cattle Feeder Option approved one producer for guarantee for loans to purchase feeder cattle. During 2006-07 one guarantee was provided for $75,357.
  - The Feedlot Construction Loan Guarantee Option was first made available in September 2004. Under this option, loan guarantees are provided to lenders that finance the construction or expansion of feedlot facilities for feeding cattle, sheep or bison. During 2006-07 four guarantees were provided for $746,477.

- **Provide livestock and crop development information and services [2006-07 planned result]**

  - SAF livestock and forage specialists develop, update and provide numerous publications and documents which offer information and issues for consideration to producers for beef production and marketing decisions. Some examples of information pieces include those that deal with potential producer decisions to sell or retain calves, feed quality issues, and other business development decisions.
  - SAF staff coordinated many events and seminars for information and technology transfer to livestock producers, including a conference which brought the latest in research and examples of adoption of research to producers, industry and agrologists.
  - Provincial specialist services are provided for a range of existing and potentially new crops that can be grown in Saskatchewan. Specialists prepare technical materials on crop protection, crop production, cost of production and marketing and provide extensive training of producers and industry

Activity under the Livestock Loan Guarantee (LLG) Program			
Program statistics	2004-05	2005-06	2006-07
Number of associations	111	104	104
Number of members	5,000	4,593	4,414
Loan Guarantees	$27.05 million	$25.87 million	$25.66 million
Feeder Cattle purchased (head)	90,195	90,361	93,330
Value of Feeder Cattle purchased	$48.89 million	$59.08 million	59.14 million
Breeder Cattle purchased (head)	19,948	22,290	24,457
Value of Breeder Cattle purchased	$16.77 million	$20.16 million	$150,525
Feeder Bison purchased (head)	30	38	316
Value of Feeder Bison purchased	$10,160	$13,190	$13,190
Feeder Sheep purchased (head)	530	334	112
Value of Feeder Sheep purchased	$24,957	$25,000	$11,939
Breeder Sheep purchased (head)	333	741	176
Value of Breeder Sheep purchased	$26,910	$77,278	$26,400

agrologists. Information is provided to producers and agrologists through producer and industry meetings, fact sheets and publications, the department web site and the Agriculture Knowledge Centre.

- Crop specialists monitor and interpret research results and work with commodity groups to identify opportunities for development and growth, including crop protection and soil fertility needs of established crops and new crops.

- **Provide crop disease and pest surveillance [2006-07 planned result]**

  - The Crop Protection Laboratory provides crop diagnostic services for weeds, insects, plant diseases and herbicide resistance. The lab also houses the Dutch elm disease hot line and diagnostic service. During 2006-07:
    - The lab diagnosed 785 (781) submissions. A partial listing of submissions by category is: Insect identification - 29 (33); plant diseases – 195 (238); Dutch elm disease – 317 (304); and herbicide resistance screening – 166 (112).
  - The department continued the operation of the Bee Laboratory in Prince Albert to analyze bee samples for infestations of tracheal mites. Approximately 1,500 (1,600) samples were analyzed for Saskatchewan beekeepers.
  - Insect surveys were co-ordinated for bertha armyworm, grasshopper and wheat midge. In co-operation with Agriculture and Agri-Food Canada, monitoring results were provided for wheat stem sawfly, cabbage seedpod weevil and diamond backed moth. These surveys are conducted annually; however, the Bertha armyworm survey results are updated weekly during the growing season.
  - Plant disease surveys were conducted for canola, fusarium head blight of cereals and for various wheat leaf diseases to identify their prevalence and severity. All results are summarized and published.
  - In addition to operating the Crop Protection Laboratory and the pest surveys, the department:
    - Organized and delivered weed inspector training clinics; and
    - Administered the provincial component of the Minor Use of Pesticides Program and advanced provincial priorities into the national minor use priority setting workshop.

- **Continue to build our irrigation sector in co-operation with federal, provincial and industry counterparts. [2006-07 planned result]**

  - An investment attraction strategy continues to be developed for irrigation "infill" and expansion in the Lake Diefenbaker region involving the Irrigation Crop Diversification Corporation (ICDC), irrigation districts, MidSask Regional Economic Development Authority and SAF. The website, www.irrigationsaskatchewan.com has been established to service this strategy. ICDC has also developed a strategic plan which places more emphasis on the value-added benefits of this production technology which may be driven by irrigated production of fruits, vegetables and herbs and spices.

  - The successful realization of the irrigation strategy requires that regulatory and technical infrastructure is in place. During the 2006-07 fiscal year, the department:

    - Responded to 128 (166) inquiries on irrigation development and processes. A total of 810 (1,386) new acres in the province were developed at an estimated capital cost of more than $650 thousand ($1.0 million). Applications and developed acres were down due to low commodity prices and above normal rainfall.
    - Irrigation Certification is required by all new irrigation projects to ensure environmental sustainability. During the fiscal year, approximately 5,000 (5,900) acres of land were investigated for Irrigation Certification. This included 3,600 (3,000) acres which were investigated for "infill" in Irrigation Districts, and about 1,400 (2,900) acres which were investigated outside districts and throughout the province.

- **Assist the continued growth in the organic sector through further development of certification processes, markets and investment in production research [2006-07 planned result]**

  - The department provided funding to the Saskatchewan Organic Directorate (SOD) to assist in the production of a new Organic Production Manual. As we'l, the Department provided additional funding to SOD to undertake research and marketing projects for the further development of the organic sector.
  - Crop Development Branch staff located an organic supplier of buckwheat hulls for a new business in Saskatoon, assisted with organizing a regional organic marketing seminar at Melfort, worked with two producers to enter the organic pedigreed seed production industry and continued to provide advice on the agronomics of organic production.

- **Pursue increases in Saskatchewan's production quota allocation for targeted supply management commodities [2006-07 planned result]**

  - SAF continued to work toward reaching an agreement on updated Federal-Provincial Agreements for egg marketing and turkey marketing in Canada. The objective is to secure an agreement that acknowledges the legal requirement to consider comparative advantage of production in all quota allocations made by the Canadian Egg Marketing Agency (CEMA) and the Canadian Turkey Marketing Agency (CTMA).
  - During the 2006-07 fiscal year, the department, in conjunction with the Saskatchewan Egg Producers (SEP) and the Agri-Food Council continued to work towards a resolution with CEMA to address Saskatchewan's concerns with the national quota allocation policy for eggs. It is Saskatchewan's position that CEMA is neither properly taking into account nor appropriately considering the statutory criteria as required by the Parliament of Canada. A resolution to the matter was not found in fiscal 2006-07, and the Saskatchewan parties continued to

move towards a resolution to this matter with a judicial review application to the Federal Court.

- The department and the Agri-Food Council also continued to pursue growth in Saskatchewan's turkey industry. The CTMA have developed a quota allocation policy that does not take comparative advantage of production into consideration, which is in contradiction to the statutory criteria that must be considered. As a result, the department and the Agri-Food Council filed a judicial review application to the Federal Court in the pursuit of a resolution to this matter.

- **In co-operation with the federal government, pursue improvements in the rules governing international trade and international market access, and continue our response to trade protectionist actions [2006-07 planned result]**

  - During the year SAF staff participated in monthly and at times weekly conference calls, plus scheduled face to face meetings with federal and other provincial officials on the Federal Provincial Agriculture Trade Policy Committee (FPATPC). These discussions covered a broad range of international trade issues in addition to market access concerns. At the provincial level a round table of industry representatives was organized and consulted through several meetings and conference calls. SAF staff accompanied the provincial agriculture minister during his attendance in July at the Geneva World Trade Organization (WTO) Ministerial meeting.
  - During 2006-07, the department worked with the federal government to address a number of protectionist actions including:
    - Addressing a US claim that anti-dumping/countervail (AD/CV) duty refund relief under NAFTA is prospective, and their subsequent refusal to refund duties collected on hard red spring wheat prior to the AD duty being overturned under a NAFTA bi-national panel review.
    - Defending against the EU challenge seeking the removal of WTO sanctioned Canadian retaliatory measures that were imposed in response to the EU's continued embargo of Canadian beef produced with the aid of hormones.
    - Challenging the EU moratorium on the approval of GMO and individual EU member state bans on GMOs.

- **Manage agricultural Crown land and develop options for best use of the asset [2006-07 planned result]**

  - Each fall and spring as needed, vacant Crown land is advertised for lease. In 2006-07, a total of 204 (260) parcels containing 23,858 (32,551) acres was allocated to interested lessees.
  - Vacant land which is surplus to department needs is offered for sale by tender. During the 2006-07 fiscal year, 24,681 (19,029) acres of Crown land were sold, resulting in $5.1 ($3.7) million in gross revenue, before allowance for the cost of land. Lessees acquired 15,105 (15,197) acres or approximately 61 (80) per cent of the acreage sold.
  - First Nations have the opportunity to obtain Crown land under the Treaty Land Entitlement (TLE) process, in cases where third party interests to such land are settled. In 2006-07, a further 4,063 (11,359) acres were sold, generating $375,790 ($1,302,301) in revenue for the province. Since 1994, over 188,000 acres of Crown land, with a value of more than $16 million have been sold under the TLE process.
  - Conservation easements are utilized for a number of purposes, including the protection of native prairie. Such easements may be a condition of Crown land tender sales. The department works with Saskatchewan Environment biologists on the pre-identification of such lands. SAF holds 108 conservation easements on approximately 10,079 acres of land. The 2006 fall tender sales resulted in the sale of 17 parcels of land with a conservation easement.
  - The department monitors land to determine ecological health and conducts land audits to ensure proper use. There were approximately 18,000 (10,000) acres inspected in the 2006 season.
  - Staff completed inventory field work for 7

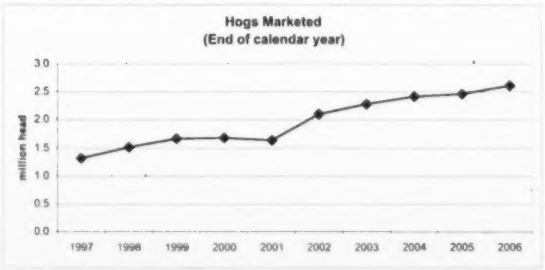
(10) range plans for provincial community pastures. This activity provides a current inventory of pastures and results in digitized information which is Geographic Information System (GIS) compatible. The comprehensive range plan utilizes the gathered information on pasture state so that proper management decisions may be made. Range plans remain to be completed for 11 pastures.

- The department continued to develop a GIS to accommodate agricultural Crown land, pictorially and spatially, by integrating all global positioning system (GPS) field data into GIS features. This will allow better representation of Crown lands matters and enable information recovery that is not currently possible.
- For the 2006-07 growing season, the formula rents for grazing and hay declined by 11 per cent while cultivation rents dropped by eight per cent. These declines stem from lower grain prices experienced during the previous year.
- Lands Branch has developed a number of "Land Use Plans". Each year annual meetings are held to review the use and proposed use of the asset.

The 2006-07 Performance Plan indicated that progress toward achieving the objective of increased livestock production and diversification to higher value crops would be measured by growth in Saskatchewan's primary beef and hog production, growth in the cow herd and changes in the dollar value generated per acre of crop produced. The specific measures are:

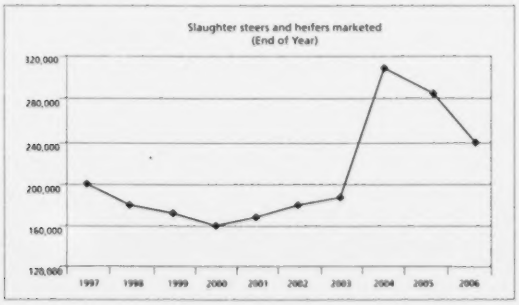
- The number of hogs marketed;
- The number of slaughter steers and heifers marketed;
- The beef cow herd size; and
- Value of crop output in dollars per acre.

The following trend and measurement results for these specific measures follow.



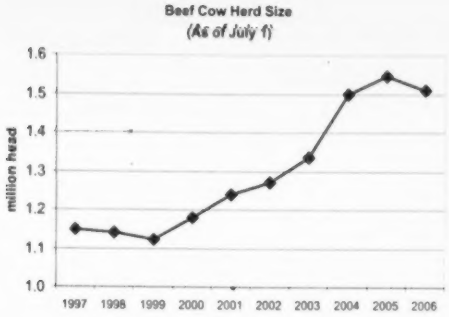
Source: Statistics Canada

During 2006, the number of slaughter hogs marketed was over 2.6 million animals. Growth in the hog industry has been steady the past three years. The percentage growth in hogs marketed in Saskatchewan from the beginning of January 2006 to January 2007 was 5.9 per cent. In comparison, Alberta experienced 1.2 per cent growth during the same time period and Manitoba saw an increase of 2.3 per cent.



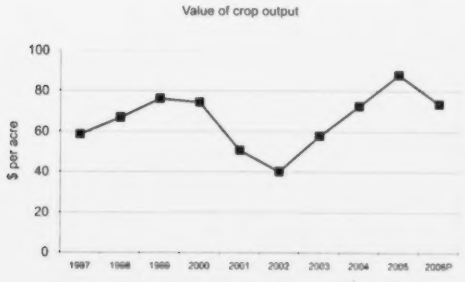
Source: SAF Cattle Marketing Report

During 2006, 238,240 slaughter steers and heifers were marketed, a decrease of 45,900 from the previous year. Comparable data is not available for Alberta or Manitoba.



Source: Statistics Canada, SAF Livestock StatFact January 1, 2007 Cattle on Farms

Midway through 2006, the beef cow herd in Saskatchewan was estimated by Statistics Canada at 1.508 million head. This is a decrease of 37,000 animals from the level of a year earlier but is well above the recent low set in 1999 of 1.12 million. By January 1, 2007, the beef cow herd had decreased further and stood at 1.48 million head, a five per cent decline from a year earlier. In comparison, Alberta and Manitoba both experienced an eight per cent decline during the same time period.



Source: SAF, internal calculations, and Statistics Canada

In 2006, the value of crop output per acre, as calculated by SAF, was $73.67 ($88.06) per acre, down $14.38 an acre from the value estimated for the previous year.

Objective 2 – Increased total value of goods and services produced by the agriculture and food sector

Development of the primary agricultural sector and further processing of this primary production is necessary to expand the contribution in economic output and employment that may be made to the provincial economy. Increased processing, particularly outside urban centres, will directly enhance the rural economy and help keep smaller communities viable.

SAF made progress toward achieving this objective, due in part to the continued recovery in crop output that began in 2003. Primary agriculture's and agriculture value-added activity's GDP decreased by 3.8 per cent to $2.58 billion in 2006, representing 8.2 per cent of total provincial GDP. Growth in agri-value offset a decrease in primary agricultural output, rising by $34 million in value for an eight per cent increase. Primary agriculture's contribution to GDP declined by $135 million, a decrease of six per cent.

To help realize the objective of increased total value of goods and services produced by the agriculture and food sector, the department has identified five key actions. These actions are to:

- Implement the meat processing strategy to attain expansion of industry slaughter and processing capacity in the province.
- Implement strategies to develop value chains for the flax, pulse and organic and bio-energy industries.
- Build our "healthy" food sector by identifying functional foods grown in Saskatchewan which have demonstrated wellness benefits and by developing their commercialization/market opportunities.
- Invest in and manage research and development to support the industry priority areas (noted above) and to create opportunities for the agriculture and food sector.
- Provide an effective regulatory environment for sector development by updating regulations where appropriate.

The activity by SAF and the results associated with each of these key actions follows.

- **Implement the meat processing strategy to attain expansion of industry slaughter and processing capacity in the province. [2006-07 planned result]**

  - On June 9, 2005, the Government of Saskatchewan announced a $37.3 million meat processing package to help drive development of the meat processing sector. This package included three components:
  - Meat Processing Investment Rebate (MPIR) Program: A 15 per cent rebate on construction costs is provided for federally registered new plant construction or expansion. The rebate also applies to costs associated with a change of status from provincially regulated to federally registered status, or a move from federally registered status to European Union (EU) status or for existing federally inspected processing plants that expand by 25 per cent or more. To date, there have been five applications and two initial payments have been made for $2,033,783.
  - Increased funding for the Saskatchewan Food Industry Development Centre of $400,000 per year for three years.
  - Development of toll processing capacity in Saskatchewan. $1.1 million per year for three years has been made available to Thompson Meats Ltd. (TML) in Melfort to establish federally-inspected toll processing capacity in the province. TML received an additional allocation of $615,692 in December 2006 to address the challenges of starting a new line of business and to cover operating costs.

- A number of community based groups continue to examine the economic feasibility of establishing beef production and processing facilities in their local area. The July 2005 opening of the US border to live beef animals from Canada that are under 30 months of age, as well as the anticipated eventual loosening of US border restrictions on older animals have required project proponents to carefully re-evaluate their initial business plans.

- **Implement strategies to develop value chains for the flax, pulse, organic and bio-energy industries [2006-07 planned result]**

  - The Value Chain Program became operational in 2005-06 and is designed to encourage the development of agricultural value chains in Saskatchewan by providing technical support and services and direct financial support to value chain proponents. In 2006-07, six projects were approved for a total of approximately $249,500.
  - SAF partnered with the Saskatchewan Council for Community Development to host four value chain workshop days to increase awareness of value chains, offer training opportunities, provide expertise for building business relationships and facilitate collaboration between value chain partners.
  - SAF continued to support Flax Canada 2015, an industry led program to increase the size and value of the industry. Department staff participate on the board of directors and as a member of the Flax Breeding and Agronomy Working Group.
  - The department continued to work with the Saskatchewan Pulse Growers to support further pulse crop processing in Saskatchewan. The department also worked with the Saskatchewan Trade and Export Partnership and the Canadian Special Crops Association on export market development. A team of department, research and industry representatives was formed to promote red lentil production, in recognition of existing and potential market opportunities and in May 2006, a SAF official participated in a Pulse Canada red lentil mission to Syria and Turkey to gather market intelligence and enhance export opportunities in pulses.
  - In May 2006, the Government of Saskatchewan appointed Lon Borgerson as Legislative Secretary for Organic Farming to work as a liaison between the organic industry and government and to develop a profile of organic agriculture in Saskatchewan. The Crop Development Branch of SAF continues to support this initiative to promote and grow the organic industry in Saskatchewan.
  - The department has created strategic area focus teams in priority areas to research,

analyze and report on the opportunities that exist in targeted areas for development in Saskatchewan. The targeted areas include bio-materials, agri-health, feedlot development, ultra value-low acre crops, meat processing and organics. The teams are in the process of beginning their work and will provide reports in 2007.

- **Build our "healthy" food sector by identifying functional foods grown in Saskatchewan which have demonstrated wellness benefits and by developing their commercialization/market opportunities.**

  - Ag-West Bio Inc. receives core funding of $1million per annum from SAF and uses this to promote biotechnology, bioprocessing and the agri-health sector through programs and services targeted to link the research and business communities.
  - The Saskatchewan Food Industry Development Centre's mission is to assist in the development and growth of a dynamic food processing sector by providing services to the foods, functional foods and nutraceuticals sectors. The Food Centre has programming to help companies meet the regulatory requirements of the Foods and Drugs Act and Regulations and the Natural Health Products Regulations while developing and/or processing products.
  - There were 26 agri-health related projects that received funding from the Agriculture Development Fund that were active during the 2001-06 period. Total approved funding for these projects was $2,784,097. This included both research and development projects and projects funded through the Agri-Value Program.

- **Invest in and manage research and development to support the industry priority areas (noted above) and to create opportunities for the agriculture and food sector. [2006-07 planned result]**

  - SAF completed Agricultural Policy Framework wedge funding negotiations with AAFC resulting in a total of $41.5 million to be invested in research and innovation in Saskatchewan. These funds are being used to build additional capacity in research and innovation in our province to contribute to the future competitiveness of our industry by investing in research chairs, research equipment and research infrastructure. In 2006-07, $34.551 was distributed to the University of Saskatchewan, POS Pilot Plant, Prairie Agricultural Machinery Institute, Prairie Swine Centre and the Saskatchewan Research Council, with the remaining $6.963 to be disbursed in 2007-08.
  - SAF's Strategic Research Program Agreement (SRPA) with the University of Saskatchewan and project funding provided through the Saskatchewan Agriculture Development Fund (ADF) and the Canada-Saskatchewan Agri-Food Innovation Fund (AFIF) all play a key role in meeting this goal.
  - The SRPA and similar agreements provided funding of $2.86 ($2.66) million for up to 15 SAF Chair positions at the U of S, and two chairs at the Prairie Agriculture Machinery Institute, based on $165,000 per year (over the term of the agreement) to cover the cost of a researcher and technician salaries. Additional information on the research chairs may be found at www.agr.gov.sk.ca/docs/programs_services/StatResearchProgram04.asp.
  - ADF and AFIF also serve as major funding channels for provincial research on agriculture and food research and development in Saskatchewan. These two funds provided more than $7.3 ($8.7) million to a variety of new and on-going projects in four specific areas (livestock, crops, environmental stewardship and value-added) and one general area.
  - A breakdown of expenditures under the ADF and AFIF by category is contained in the following table. The 196 (203) ADF projects, consisting of 66 (75) on-going projects, 64 (47) new projects and 66 (81) completed projects were in the areas of field crops, horticulture, forage crops, plant breeding, plant disease and pest control, bio-processing, organic, animal production, animal welfare, processing and value added activity, animal disease and pest control, environmental stewardship, and farm management, marketing and

2006/07	General	Livestock	Crops	Environmental Stewardship (Soils, Air and Water)	Value-Added	Total
ADF $	65,100	1,546,670	3,992,930	654,621	719,700	6,979,021
# of Projects	6	31	91	28	40	196
AFIF $	0	287,041	82,775	7,058	1,114	377,988
# of Projects	0	1	2	1	1	5
Total $	65,100	1,833,711	4,075,705	661,679	720,814	7,357,009
Total # of Projects	6	32	93	29	41	201

economics. Further information may be found at www.agr.gov.sk.ca/apps/adf/default.asp?advanced=yes.

- AFIF provided approximately $378,000 ($1.8 million) to 5 (8) projects during the 12-month period ending March 31, 2007. This fund was created to promote and support emerging primary production and value-added processing activities within the province. All original funding has been fully committed and the Fund is in a wind-down mode. It continues to manage on-going contracts, all of which should be completed by approximately March 31, 2008. Further information may be found at www.agr.gov.sk.ca/afif/Homepage.htm.

- To support the economic viability and the expansion of the agricultural industry over the longer-term, additional research activity is supported by the department. Specific programming and funding activity includes:

  - Vaccine and Infectious Disease Organization (VIDO)
    SAF provided $300,000 in funding during 2006-07 to support research and development as part of a five-year (2006-11) agreement with VIDO for research in disease control and vaccine production.

  - Prairie Swine Centre Inc.
    SAF provided $250,000 in base funding to the Prairie Swine Centre Inc. during 2006-07 to support research and development in quality pork production. This amount flowed under the existing five-year (2006-11) agreement with the Centre.

  - Saskatchewan Beef Development Fund (BDF)
    The BDF has administered the Beef Development Plan since 1994. It utilizes funding that originated with the termination of the National Tripartite Stabilization Program and the allocation of the surplus contained in the Saskatchewan Beef Stabilization Board marketing account. In 2006-07, the BDF provided support of approximately $118,600 ($198,000) for 10 (10) research projects related to the beef industry structure, cattle production, nutrition, breeding, disease control and beef processing. Funding under the program has been fully committed. The BDF is winding down and the last project is expected to be completed by approximately May 1, 2010. Further information may be found at www.agr.gov.sk.ca/docs/programs_services/Befdevfn.asp

  - Prairie Agricultural Machinery Institute (PAMI)
    SAF provided core funding of $750,000 ($910,000) for the 2006-07 fiscal year to PAMI, to carry out research, development, evaluation and extension activities to improve agricultural machinery, agriculture processing equipment and related electronic equipment.

Ag-West Bio Inc.

SAF provided total funding of $900,000 ($2,100,000) to Ag-West Bio Inc. in 2006-07 in support of its activities and to assist with ag-biotech research under the existing three year funding agreement (running to March 31, 2007). In addition, SAF provided the final payment of $5,000 as part of a multi-partner funded study to develop a Life Science strategy for Saskatchewan. An additional $25,000 in the form of a grant was

provided for the Biofuels and BioProducts Centre Initiative.

- **Provide an effective regulatory environment for sector development by updating regulations where appropriate [2006-07 planned result]**

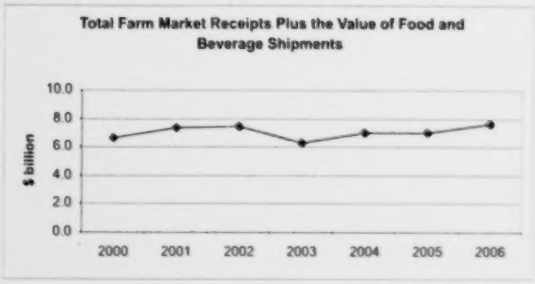
  - A rapid turn around in the handling of complaints filed under the Agricultural Operations, Agricultural Implements and Land Appeal Boards has been accomplished from the use of a database that generates regular reports. The Department is committed to updating relevant regulations supporting the ten year regulation review schedule.
  - *The Canada-Saskatchewan Specified Risk Material Management Program Regulations* provide assistance to beef industry stakeholders required to make capital investments to comply with the enhanced feed ban regulations due to come into effect on July 12, 2007.
  - *The Oat Development Plan Regulations* and *The Winter Cereals Development Plan Regulations* establish a refundable check-off similar to the structure successfully established for other development commissions.
  - *The Unseeded Acreage Payment Regulations* provide for a payment to farm operators who were unable to seed at least 95 per cent of their intended 2006 seeded acres due to excess moisture conditions.
  - *The Animal Custom Care Regulations, 2006* repeal *The Animal Custom Care Regulations*, 1983 and provide a framework for the proper care of animals including horses, cattle, sheep, goat, swine or interspecies hybrid of such animals and includes a domestic game farm animal as defined in The Domestic Game Farm Animal Regulations.

  A full listing of SAF related regulatory amendments which occurred during 2006-07 may be found in Appendix F.

Measurement Results

The 2006-07 performance plan indicated progress toward achieving the objective of increased total value of goods and services produced by the agriculture and food sector. This is measured by changes in primary agriculture market receipts plus food and beverage shipments, as calculated by Statistics Canada. The specific measure is:

- *Total farm market receipts plus the value of food and beverage shipments*



Source: Statistics Canada

Farm market receipts plus food and beverage shipments measured by Statistics Canada indicates the contribution of agricultural primary and processing industries to the provincial economy. In 2006, Saskatchewan's total market receipts plus the value of food and beverage shipments increased to $7.62 billion, an increase of nine per cent over 2005. Farm market receipts (crop and livestock) saw an increase of nine per cent, while food and beverage shipments increased 11 per cent over 2005.

Objective 3 – Enhanced environmental stewardship

From an economic standpoint, it is important to utilize progressive farming and processing practices in an environmentally sound manner that maintains our soil and water resources and protects the environment.

SAF made additional progress toward the achievement of this objective in 2006-07. An increase in summerfallow area occurred mainly

as a result of the extreme moisture conditions producers faced in the northeast of the province, with the percentage of total cultivated land under this practice increasing to 18.9 per cent in 2006, up from 13.9 per cent in the previous year. The Saskatchewan Environmental Farm Plan (EFP) initiative continues to be successful. This mechanism for the development of environmental farm plans facilitates both the identification of land at environmental risk and remedial action that can be taken.

To help realize the objective of enhanced environmental stewardship, the department has identified five key actions. These actions are to:

- Implement an environmental monitoring and indicator program
- Continue to implement the environmental farm planning initiative
- Maximize the benefit to Saskatchewan farmers as the Climate Change Plan for Canada is implemented.
- Provide environmental assessments for intensive livestock operations
- Regulate the application of pesticide products by the agricultural industry

The activity by SAF and the results associated with each of these key actions follows.

- **Implement an environmental monitoring and indicator initiative [2006-07 planned result]**

- During 2006-07, SAF continued the development of an environmental monitoring and indicator program. Updates on existing initiatives under the program include:

    - Funding of $54,000 for the continuation of the research project, "Agricultural Land Use Impacts on Surface Water Quality in Saskatchewan" led by the Saskatchewan Watershed Authority. This project has advanced to selection and monitoring of five paired sites on the Pipestone Creek in south eastern Saskatchewan. Sampling, analysis and interpretation is being done to try to determine the non-point source impacts that agriculture is having on the environment, particularly water quality.
    - Funding of $16,500 to The Spirit Creek Watershed Monitoring Committee to assist with the Soil/ Manure Monitoring Program at the Big Sky Rama Complex. This program is providing long term data on the environmental effects of the agronomic application of hog manure.
    - As a response to the need to understand and describe the impact that agriculture is having on the environment, SAF is analyzing data from water samples taken over the last 35 years from various points across the province.
- In 2006-07 additional funding of $5,000 was provided to The Canadian Fertilizer Institute (CFI) to provide data on how much broadcasting of urea is occurring across the prairies and particularly in Saskatchewan. No such data exists and it was required as a possible issue under Canada's newly proposed "Clean Air Act" where ammonia-in-the-air could be seen as precursor for smog. Urea is a potential source of ammonia in the air and Environment Canada needed supporting data by the end of December 2006. To provide supporting data the CFI conducted an IPSO REID poll of farmers in Saskatchewan, Alberta, Manitoba and Ontario to describe farm practices for applying urea-Nitrogen. This $40,000 project was cost shared with the other provinces.
- SAF has consulted with and provided input to the following programs where agriculture's impact on the environment is of interest:

    - The Farm Environmental Management Survey, which is a joint project of AAFC and Statistics Canada. The survey provides a "snapshot" of the on-farm environmental management practices in Canada. The survey was completed early in 2007, but as of March 31, 2007, the results had yet to be released.
    - The National Agri Health Analysis and Reporting Program (NAHARP) which was initiated by AAFC as part of the Environment Chapter of the Agricultural Policy Framework. NAHARP has developed a set of Agri-Environmental Indicators (AEI's) for soil quality, air quality, water quality, biodiversity, environmental and farm management. SAF has provided input into the development and use of these indicators.

- Input from an agricultural perspective to the initial set of indicators for the Saskatchewan Watershed Authority (SWA) State of the Watershed Report (SOWR) which was released in March 2007.

- **Continue to implement the environmental farm planning (EFP) initiative [2006-07 planned result]**

  - During 2006-07, EFP workshops continued to be delivered by the Provincial Council of Agricultural Development and Diversification Boards (PCAB). Since EFP was initiated in early 2005, 11,525 farm units have participated in an initial EFP Workshop 1 - of which 5,273 attended in 2006-07. 8,240 producers also have attended an EFP Workshop 2. PCAB has held a total of 1,548 EFP workshops at locations across the province. The original EFP program goal was to have 6,500 environmental farm action plans completed by March 31, 2008. This target has already been surpassed with 7,711 EFPs having been peer reviewed and endorsed (4,519 during 2006-07), with PCAB then issuing Certificates of Completion. Most producers who have completed an EFP then proceed to implement beneficial management practices (BMPs) on their farm operations. To March 31, 2007, 5,432 BMP projects (4671 during 2006-07) had been approved for cost-shared funding under the Canada-Saskatchewan Farm Stewardship Program, with federal funding approvals totaling over $20 million (approximately $17.4 million in 2006-07).
  - Under the APF, Saskatchewan has also moved forward on Agri-Environmental Group Planning (AEGP) in ten watershed areas. Total funding of $2.12 million has been committed to support the AEGP initiative. AEGP is proving to be an effective way for producers to work together, in a geographic area, to tackle a priority environmental issue. Most groups selected protection of surface water quality as their issue and have completed a watershed group plan. Producer members then completed individual site plans and 438 completion certificates have been issued. Together with one-on-one contacts with producers, the ten watershed-based AEGP projects have also sponsored workshops, field days and demonstrations involving 2,100 attendees. Completion of a group plan also enables producer members of the group to access federal cost-shared funding for adoption of water-related BMPs. 482 riparian management and wintering site management projects have been approved that will directly impact water quality in the watershed areas. Three commodity groups are also implementing AEGP projects that deal with an agri-environmental issue that is important to their sector.
  - The First Nations Agricultural Council of Saskatchewan (FNACS) continues to deliver APF agri-environmental programming to First Nations farmers. Approximately 270 producers have been involved in EFP workshops and 150 Certificates of Completion have been issued. FNACS is also working with 14 communities on group planning projects.

- **Maximize the benefit to Saskatchewan farmers as the Climate Change Plan for Canada is implemented [2006-07 planned result]**

  - SAF maintains a working group to monitor developments on the federal and the international level that will have implications for Saskatchewan farmers. The change in the federal government will result in a new approach to climate change but a new federal plan had not been issued prior to March 31, 2007.

- **Provide environmental assessments for intensive livestock operations [2006-07 planned result]**

  - SAF staff completed 36 (141) site inspections, of which 9 (12) were audits and 5 (11) were manure storage inspections, to ensure compliance with The Agricultural Operations Act and to ensure water resources were not at risk.
  - Staff responded to 149 (210) verbal inquiries about water pollution, regulatory requirements and applications under development or

review. Four written complaints about water pollution were received and investigated.

- **Regulate the application of pesticide products by the agriculture industry [2006-07 planned result]**

  - The Pest Control Products (Sask.) Act and regulations provide for pesticide applicator, service and vendor licensing. There are currently 14 license classes that reflect the types of pesticide application being conducted. An applicant for any license must pass a pesticide applicator course offered by the Agriculture Division of the Saskatchewan Institute of Applied Science and Technology (SIAST).
  - As provided for under The Act, the department issued licenses to 561 (784) applicator businesses employing 2,653 (1,925) pesticide applicators. In addition 416 (456) vendor licenses were issued during the year.
  - The Pesticide Investigator handled 84 pesticide related complaints this past year. Resolution was brought to 30 drift complaints, 12 licensing complaints, 14 off label complaints, 16 pesticide uses, 7 storage and disposal, and 5 miscellaneous.

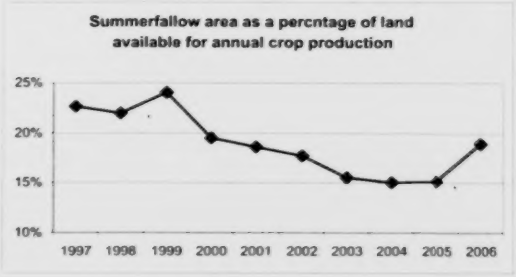
Measurement Results

The 2006-07 performance plan indicated that progress toward achieving the objective of enhanced environmental stewardship would be measured by changes in the practice of summerfallow and by the number of environmental farm planning workshops that are resourced. Summerfallow information is gathered by Statistics Canada on an annual basis, while the statistics on EFP workshops are provided by the PCAB. The specific measures are:

- •Conservation tillage as a per cent of land prepared for seeding;
- •Summerfallow as a percentage of total cultivated land; and
- •Number of EFP workshops that are resourced.

The trend and measurement result for these specific measures follows.

According to the 2006 agriculture census, conservation tillage as a per cent of land prepared for seeding increased from 67.6 per cent in 2001 to 81.7 per cent in 2006. This indicates that producers have adopted the best management practices of conservation till in an effort to ensure long-term economic and environmentally sustainable crop production.


Summerfallow area as a percntage of land available for annual crop production
25%
20%
15%
10%
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

Source: Statistics Canada

Crop land not in production had been on a downward trend since the 1990s. In 2006, however, summerfallow area as a percentage of land available for annual production rose from the previous level of 13.9 per cent to 18.9 per cent. Although there was an increase in summerfallow area, it was estimated that approximately two million acres were not seeded due to saturated field conditions due to spring flooding in northeast Saskatchewan. In comparison, Alberta summerfallow acreage has remained relatively constant from 9.8 per cent in 2000 to 12.0 per cent in 2006. In Manitoba, in 2006, summerfallow acreage was 3.5 per cent of land available for annual production.

Since 2004-05, a total of 818 (396) initial EFP workshops and 730 (337) stage two workshops have been held.

Objective 4 – Improved food safety and quality systems

Consumers throughout the world are increasingly demanding that high safety standards be observed in the production of the food that they buy. Saskatchewan producers and processors must respond to that demand to compete in the global marketplace.

SAF again made significant progress toward achieving this objective in 2006-07. On-farm food safety programs are in operation for the egg, chicken, dairy and hog sectors and are now being implemented for the cattle and sheep sector. The number of hogs inspected in federally regulated slaughter facilities in Saskatchewan dropped for 2006-07 due to difficulties experienced by two processing plants in the province.

To help realize the objective of improved food safety standards, the department has identified three key actions. These actions are to:

- Continue to implement a food safety strategy for Saskatchewan's food processing sector;
- Ensure the provincial component of Canada's expanded BSE surveillance program targets are met; and
- Assist industry in implementing on-farm food safety programs.

The activity by SAF and the results associated with each of these key actions follows:

- **Continue to implement a food safety strategy for Saskatchewan's food processing sector [2006-07 planned result]**

  - SAF continued its efforts in respect to advisory and training services for companies in the areas of food safety and quality assurance programs. During 2006-07:
    - Training in FoodSTEPS-Processing Foods Safely continued and resulted in 10 students graduating. An online version of this program is available as well as being delivered by the Saskatchewan Institute of Applied Science and Technology (SIAST).
    - In 2006-07, there were six graduates of the HACCP Food Safety Training Program offered by the Food Centre in Saskatoon. The course provides educational opportunities on food safety and quality to food processing employees. This program is currently in the process of being developed into an online program in order to provide a more comprehensive delivery method.
    - Several companies engaged in HACCP development and/or audits of their food safety programs at their processing facilities.

- **Ensure the provincial component of Canada's expanded BSE surveillance program targets are met [2006-07 planned result]**

  - Since the surveillance program started back in 2004, 24,552 animals have been tested from Saskatchewan. In calendar year 2006, 9,156 animals were tested compared to 7,469 in 2005.

- **Assist industry in implementing on-farm food safety programs. [2006-07 planned result]**

  - An on-farm food safety (OFFS) specialist provided expertise and developed programming oversight for on-farm food safety programs for several commodity groups. Commercial producers of four commodities (chicken, dairy, eggs and pork) have all completed the process and are OFFS certified. The progress of some of the other commodities is summarized below:
    - Horticulture – up to the end of 2006, 30 farm units of the Saskatchewan Fruit Growers Association membership had attended and completed an OFFS workshop. The Saskatchewan Greenhouse Growers Association has had four farm units complete an OFFS workshop.
    - Beef – 871 farm units having taken Verified Beef Production (OFFS) training. There are now 37 operations that have completed the audits

necessary to become Verified Beef Producers, with 5 audits pending and 3 operations awaiting audit.

- o Sheep – the industry has been very proactive and has held several OFFS sessions. Approximately 40 producers attended workshops this past year.
- o Cervids – OFFS training requirements for the industry have not been finalized and approved by the Canadian Food Inspection Agency.
- o Bison – OFFS training requirements for the industry have not been finalized and approved by the Canadian Food Inspection Agency.

Other department activities which support this key action include:

- The department continued to administer the provincial Chronic Wasting Disease (CWD) surveillance program, including the assessment of cervid herds and evaluation of import requests. In addition, the department administers the herd certification program on behalf of the CFIA, including herd status.

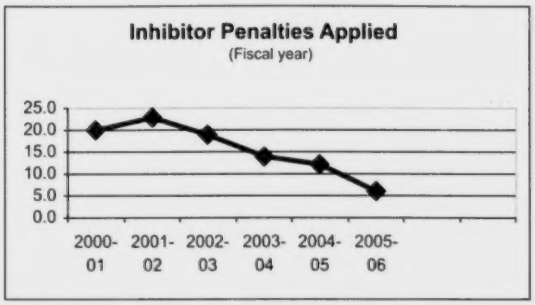
- SAF continued to manage the response to BSE. This included negotiations with CFIA on specified risk material removal from the food and feed chains.

Measurement Results

The 2006-07 performance plan indicated that progress toward achieving the objective of enhanced food safety and quality would be measured by the number of inhibitor penalties that are applied, the number of hogs that are inspected in federal facilities in Saskatchewan and the number of farmers who have trained in on-farm food safety programs. The specific measures are:

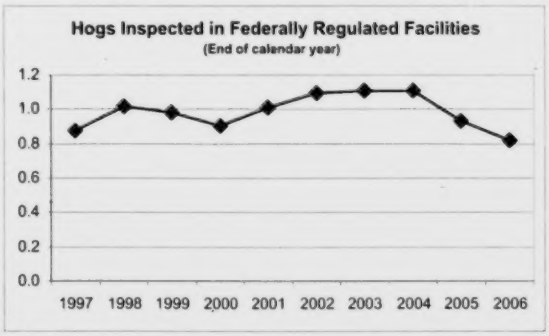
- Number of incidences where inhibitor penalties are applied to dairy producers;
- Number of hogs that are inspected in federally regulated slaughter facilities in Saskatchewan;
- Number of BSE surveillance tests; and
- Number of farmers who have trained in on-farm food safety programs.

The trend and measurement result for these specific measures follows.



Source: Provincial Dairy Laboratory

The number of inhibitor penalties has been decreasing steadily since 2001-02. Responsibiltiy of enforcing inhibitor penalties has been transferred to the Saskatchewan Milk Control Board and 2006/07 data is not available.



Source: AAFC

During calendar year 2006, the number of hogs that were slaughtered in federally regulated hog facilities in Saskatchewan dropped to 820,000 head from the 930,000 that were slaughtered in 2005. This decline is largely due to the financial difficulties experienced by World Wide Pork and anticipated shut down of the Maple Leaf plant in Saskatoon. In comparison, Alberta saw an increase in the number of hogs that were slaughtered, while Manitoba also experienced a decrease. Alberta's numbers increased to 3.12 million up from 3.0 million in 2005. Manitoba decreased to 4.16 million from 4.30 million in 2005.

Surveillance is a key part of Canada's ability to confirm its very low prevalence of BSE within

the domestic herd and to provide reassurance to foreign governments and markets that Canadian beef is safe. National surveillance goals have been set in co-operation with the federal government and have been broken down further by province. Since the surveillance program started in 2004, 24,552 animals have been tested from Saskatchewan. In calendar year 2006, 9,156 animals were tested compared to 7,469 in 2005.

Ensuring a safe and high quality food supply requires the adoption of effective systems throughout the food chain, starting with the producer of the primary product. SAF encourages farmers to take On-Farm Food Safety Programs to help achieve this goal however; producer participation will be dependent on their perception of the need, benefit and costs of such on-farm systems. Different commodity sectors are at different stages in the adoption of OFFS programming with some of the main activity noted previously.

Objective 5 – Effective safety net programs and risk management tools

Income from agricultural production is subject to both price and production risk and may be quite variable from year to year. Effective safety net programs and risk management tools are essential if producers are to deal with these risks and achieve the full economic potential of the sector. SAF made significant progress toward achieving this objective during the fiscal year. Participation in the CAIS program has been significant. It is estimated that almost all Saskatchewan farm operations with over $10,000 in sales enrolled in the program. Crop insurance participation continues to be at high levels, although the percentage of annual crop area and forages covered under the program declined somewhat in 2006. Temporary programs were also introduced to deal with the continued economic pressure that BSE disrupted markets have placed on livestock producers.

To help realize the objective of effective safety net programs and risk management tools, the department has identified three key actions. These actions are to:

- Continue participation in and further development of the CAIS Program
- Enhance crop insurance programs which grains and livestock producers may use to offset production failures and other natural hazards
- Continue monitoring and delivery of programming to address unique risk situations

- **Continue participation in and further development of the CAIS program [2006-07 planned result]**

  - Saskatchewan became a participant in the Canadian Agricultural Income Stabilization (CAIS) program by signing the APF Implementation Agreement on December 22, 2003. The CAIS program is available to provide assistance to producers for five years covering the 2003 program (tax) year through to the 2007 program (tax) year. The CAIS program replaces the previous Net Income Stabilization Account (NISA) program and the Canadian Farm Income Program (CFIP) with one program that provides both income stabilization and income disaster protection.

  - The CAIS program is an individual whole-farm program that provides payments to producers whenever individual farm income, as measured by a farm's production margin, declines relative to previous average levels. Payments available to producers are graduated so that, as the degree of income decline increases, the relative amount of support available from government increases.

  - For the 2005 program year, 46,362 (45,101) Saskatchewan producers signed up for the CAIS program and elected a level of support. At least 35,711 (37,073) Saskatchewan producers filed the necessary supplementary forms and applied for support available under the program. As of March 31, 2007, 33,476 (36, 981) applications had been processed representing 93.7 (99.8) per cent of claims received from Saskatchewan producers. Of the claims processed, 48 (57) per cent are eligible for payments totalling $270 ($442) million. By the time processing is finished, it is estimated that between $350 million and $380 million will have been paid to

Saskatchewan CAIS participants for the 2005 program year.

- **Enhance crop insurance programs which grains and livestock producers may use to offset production failures and other natural hazards [2006-07 planned result]**

  - For the 2006-07 crop year, the Saskatchewan Crop Insurance Corporation (SCIC) provided production insurance on 36 different crops and crop classes as well as a variety of forages. Approximately 28,300 (30,400) customers insured 22 (25) million acres of annual cropland and nearly 513,000 (570,000) forage acres under the yield-loss programs. Weather-based insurance products accounted for an additional 2.5 (3.2) million acres. In 2006, SCIC insured 65.8 (70) per cent of all land seeded in Saskatchewan.
  - Even though certain areas of the province were faced with extreme amounts of moisture and other areas an extreme lack of moisture, 2006 production was two per cent above the ten year average. Cumulatively, SCIC completed more than 19,000 (16,000) inspections for all claim types and paid approximately 127 (65) million to customers.

Complete program and statistical information can be found in the 2006-07 SCIC Annual Report available at www.saskcropinsurance.com.

- **Continue monitoring and delivery of programming to address unique risk situations [2006-07 planned result]**

  - In response to excessive moisture in parts of the Northeast area of the province and the extreme lack of moisture in some areas of the Southwest, the provincial government made available assistance programs to producers in Saskatchewan. These included:

    - The Canada-Saskatchewan Unseeded Acreage Payment Program

      The Saskatchewan Unseeded Acreage Payment Program provided a $10 per acre payment to producers who were unable to seed at least 95 per cent of their normal seeded acreage due to excess moisture this spring. The unseeded acreage payment program was based on an estimated 1.8 million eligible unseeded acres. The program paid out 6,823 applicants a total of $15,554,590.

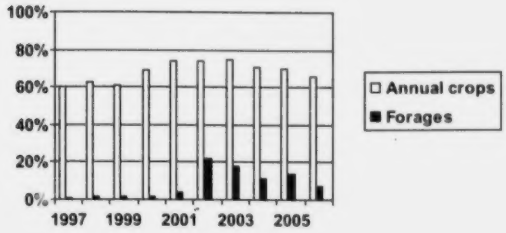
    - The Saskatchewan Targeted Water Supply Program

      SAF provided a one-time grant of $1,000,000 to assist producers in drought-prone areas of the province to develop secure water supplies. Applicants are eligible for cost-share grants for on-farm water developments such as wells, dugouts and pasture pipelines. The program will be first targeted to the 34 rural municipalities in the southwest that were designated as eligible for the federal tax deferral for drought induced sale of livestock. The funds were transferred to the Prairie Farm Rehabilitation Administration (PFRA) to administer the application-based program.

Measurement Results

The 2006-07 performance plan indicated that progress toward achieving the objective of effective safety net programs and risk management tools would be measured by tracking participation in the Crop Insurance Program and tracking participation in the CAIS program. The specific measures are:

- Acreage insured under crop insurance as a percentage of total acreage seeded annually to crops or devoted to perennial tame hay and native forage; and



- Percentage of Saskatchewan farm operations above $10,000 in sales that participate in the CAIS program.

Source: Saskatchewan Crop Insurance Corporation

During 2006, 65.8 (71) per cent of all annual crop acreage was insured. Insurance on forages was provided on 7 (11) per cent of total acres.

In respect to the CAIS program, for the 2005 program year, 46,362 (45,101) Saskatchewan producers signed up and elected a level of support. The number of producers that submitted all necessary forms to be considered for the support available under the program totalled 35,711 (37,073), representing 28,523 farms. (Note: Where there is a partnership, each individual partner can submit CAIS forms, resulting in more than one form per farm in some cases) This number is equivalent to 87 (95) per cent of the estimated number of Saskatchewan farms in 2005. (Statistics Canada – Farm Financial Survey)

Goal 2 – Strong, resourceful agricultural people and families

Objective 1 – Agriculture people and families with better tools and resources to deal with current stresses facing their industry

Saskatchewan's agricultural sector has been under significant economic stress in recent years. To cope with these circumstances individual operators and their families must have access to both immediate and longer term tools. An initial point of contact is the Farm Stress Line and the SAF Inquiry Line. For the longer term, tools must also be available to assist farmers and their families to make decisions regarding their individual operations and determine what options are available – including diversification and/or expansion of their operations or exploring off-farm opportunities.

SAF continued to progress toward achieving this objective in 2006-07. In collaboration with the federal government, the development and delivery of renewal programming under the APF proceeded. Provision of peer counselling information continued, and the Farm Stress Line responded to calls which were mainly in relation to financial matters. The department also continues to operate the Agriculture Knowledge Centre, as part of its delivery model for information and technology transfer.

To help realize the objective of rural people and families with better tools and resources to plan for their future, the department has identified two key actions. These actions are to:

- In co-operation with the federal government deliver renewal programming services to farm families (to respond to financial stress, to capture new opportunities and to effectively change current operations).
- Provide information and counselling services to help farm families deal with the stresses in their industry.

The activity by SAF and the results associated with each of these key actions follows.

- **In co-operation with the federal government deliver renewal programming services to farm families (to respond to financial stress, to capture new opportunities and to effectively change current operations) [2006-07 planned result]**
    - The Canadian Farm Business Advisory Service (CFBAS) programs were launched in the fall of 2004. This initiative includes the following programs and services:
        - The Farm Business Assessment (FBA) program provides consultation services for a farm financial

assessment and preparation of a farm action plan. The department's business planning specialists are the first point of contact for farmers entering the program and provide limited direct farm family counselling.
    - The Specialised Business Planning Services program provides farmers and groups of farmers with detailed business planning support for marketing, business management, diversification, expansion, risk management, human resource development and succession planning. Business planning specialists are the first point of contact for farmers entering the program and work with agricultural consultants on program delivery and supervision.
    - The Planning and Assessment for Value Added Enterprises program provides feasibility assessments and business planning opportunities to farmers and groups of farmers. Business planning specialists work directly with these program clients, as part of SAF's agri-business development team, to help producers develop ideas for value added opportunities.
    - In 2006-07, there were 1,302 participants in CFBAS programs compared to 755 in 2005-06.

- The Canadian Agriculture Skills Service (CASS) helps farmers increase their family income through improved farm practices and building new agricultural enterprises; building new rural business ventures; or through obtaining employment income. SAF business planning specialists are the first point of contact for farmers entering the program. The CASS program commenced in June 2005 and as of March 31, 2007 the program had received a total of 5,531 applications, with a total benefit paid of just under $11.5 million. In 2006-07, the program received 3,599 applications and paid just under $8 million in program benefits.
- Business planning specialists were heavily involved in creating awareness of renewal programs through their attendance at trade shows and at the annual meetings of farm organizations in the province. These initiatives stemmed in part from the activities of the federal/ provincial working group which was established to oversee delivery of Renewal Chapter programming under the APF.

- **Provide information and counselling services to help farm families deal with the stresses in their industry [2006-07 planned result]**
    - The Farm Stress Unit of SAF provides confidential peer counselling information, support and referral services in response to the needs of farmers and those involved in agriculture who are experiencing social, emotional, physical safety and/or financial difficulty. These services are provided through the operation of the Farm Stress Line. In addition, SAF manages the Connections Services Directory.
        - The toll free Farm Stress Line received 854 (1073) calls in 2006-07. Of these calls, 20 (30.9) per cent related to financial matters.
        - The Farm Stress Unit continued to distribute "Farming in Difficult Times" kits. These kits address many of the critical issues farm families face and contain a wide variety of information that allows farm people to respond to the various challenges confronting them, such as human dimensions of agriculture and farm financial matters. It is estimated that over 1,000 kits are distributed each year.
        - The Farm Stress Unit responds to requests for workshops and presentations on topics pertinent to the resources available in the Unit. In 2006-07, the Unit conducted 10 (14) workshops and presentations to approximately 450 (795) participants.
        - The CONNECTIONS Service Directory, available through SAF's website, serves as a directory of business and human services. In 2006-07, there were 193,552 (104,725) visits and 3,242,235

(2,608,935) views by Internet users. Due to increased usage, and ongoing requests for directory inclusion, the expansion of its resources is continual.

Measurement Results

The 2006-07 Performance Plan indicated that progress toward achieving the objective of agricultural people and families with better tools and resources to deal with the current stresses facing the industry would be measured by the number of inquiries for technical information. The specific measure is:

- Participation in the CASS Program

- In 2006-07, the CASS Program received 3,599 applications and paid just under $8 million in program benefits.

Objective 2 – Agriculture people and families with better tools and resources to plan for their future

- **Provide enhanced specialist, technical and business development services [2006-07 planned result]**

  - The Agriculture Knowledge Centre (AKC) is the first point of contact with SAF for technical and general agricultural information. The AKC staff includes five Resource Agents, eight Sector Specialists and one Agrologist intern. The AKC is also linked with other provincial and regional specialists throughout the department and manages the Inquiry Line and the Feed Grain and Forage Listing Service.

    - The AKC responded to approximately 16,475 (17,000) inquiries, via the province wide toll free number and email, between April 1, 2006 and March 31, 2007.
    - AKC services and staff were promoted to the agricultural industry through presentations at trade shows, AgriView articles, media contact, SAF website, presentations at industry meetings and field days, and through other promotional means.

  - SAF has nine Agriculture Business Centres (ABCs) located in the province where technical and general agricultural information can be obtained. Agri-Business Development Specialists in each of the nine ABCs led the completion of the regional agricultural strategy and action plans focused on building community capacity, business development and on capturing regional opportunities.
  - The SAF Inquiry Line responded to an estimated 9,491 (8,089) calls in 2006-07. These calls cover the entire spectrum of agricultural issues and information requests.
  - The department develops and updates numerous fact sheets, brochures and other publications (print and electronic versions) that provide information on pest management (i.e. plant disease control, weed control, insect control), soil management (i.e. fertility, conservation, problem soils) and farm business management issues (i.e. cost of production, land rental arrangements, machinery costs, marketing). Electronic or online versions of the publications are available on the SAF website.
  - Throughout the growing season, the Crop Report Program provides weekly updates of regional precipitation, seeding progress, crop development, haying and harvest progress, soil moisture conditions and crop yields. Operating for 31 years, the Crop Report Program is made possible through the efforts of approximately 300 volunteer reporters.

Measurement Results

The 2006-07 Performance Plan indicated that progress toward achieving the objective of agricultural people and families with better tools and resources to plan for their future would be measured by the number of inquiries for technical information. The specific measure is:

- Number of inquiries to SAF's Agriculture Knowledge Centre for agronomic information.

In 2006-07, the AKC handled almost 16,500 inquiries for technical information which is comparable to the 17,000 received in 2005-06.

Financial Schedules 2006-2007

Saskatchewan Agriculture and Food
Schedule of Revenue and Expenditures

		2006-07 Estimates $000s	2006-07 Actuals $000s	Variances over (under) $000s	Notes
Revenue					
Land Revenue:					
Crown Land Sales	$	4,000	4,020	20	
Rent and Penalty on Land Leases		26,550	23,536	(3,014)	1
Interest		250	187	(63)	2
Royalties on Sand and Gravel		8	—	(8)	
Receipts from Federal Government		16,462	50,612	34,150	3
Privileges, Licences and Permits		549	616	67	4
Sales, Services and Service Fees		184	960	776	5
Other Interest Revenue		250	307	57	6
Other Revenue		20	523	503	7
Refund of Previous Year Expenditures		135	603	468	8
Total Revenue	$	48,408	81,364	32,956	
Expenditure					
Central Management and Services	$	6,290	6,067	(223)	9
Industry Assistance	$	7,327	55,536	48,209	10
Land Management					
Land Management Services	$	2,787	3,051	264	11
Losses on Sale of Land		300	175	(125)	12
Land Revenue Bad Debt Allowances		500	—	(500)	13
Pastures Revolving Fund Net Financing Requirement (Recovery)		—	802	802	14
Subtotal	$	3,587	4,028	441	
Inspection and Regulatory Management					
Program Operations	$	3,337	2,762	(575)	15
Livestock Services Revolving Fund Net Financing Requirement (Recovery)		205	154	(51)	16
Subtotal	$	3,542	2,916	(626)	

		2006-07 Estimates $000s	2006-07 Actuals $000s	Variances over (under) $000s	Notes
Policy and Planning	$	6,033	7,271	1,238	17
Research and Technology					
Project Coordination	$	848	696	(152)	18
Research Programming		12,413	12,458	45	
Subtotal	$	13,261	13,154	(107)	
Development and Technology Transfer	$	20,857	15,138	(5,719)	19
Farm Stability and Adaptation					
Canadian Agricultural Income Stabilization		98,776	158,776	60,000	20
Subtotal	$	98,776	158,776	60,000	
Financial Programs					
Financial Programs Management	$	4,244	19,196	14,952	21
Subtotal	$	4,244	19,196	14,952	
Crop Insurance					
Program Delivery	$	26,216	24,825	(1,391)	22
Crop Premiums		69,159	54,554	(14,605)	23
Interest Subsidy		5,500	6,203	703	24
Subtotal	$	100,875	85,582	(15,293)	
Budget Appropriation	$	264,792	367,664	102,872	
Supplementary Estimates/Special Warrants	$	104,064	—	(104,064)	25
Statutory Adjustment	$	751	—	(751)	26
Total Revised Appropriation	$	369,607	367,664	(1,943)	
Capital Asset Acquisitions	$	—	(108)	(108)	27
Amortization of Capital Assets	$	144	2,461	2,317	28
Other	$	—	(22)	(22)	
Total Revised Estimates and Expenses	$	369,751	369,995	244	
FTE Staff Complement (FTE-Full Time Equivalent)		532.1	509.8	(22.3)	29

Financial Schedules - Notes

Explanations of variances which exceed $50,000 between Estimates and Actuals.

Revenue

1. Decreased revenue in agricultural land leases due to a reduction in leased acres and oil and gas rates charged were lower than forecasted.

2. Reduced interest revenue due to early payout of sale agreements.

3. Federal transfers are higher due to $34.551M received for federal Wedge funding under the Agricultural Policy Framework and increased administration claims for the Canadian Agricultural Skills Services Program. These increases were offset by reduced Saskatchewan Crop Insurance administration claims.

4. Increased fees due to higher than normal assignment of land leases, increases in export certificates for game farms participating in the hunting industry and increased demand for pesticide applicator licenses.

5. Additional revenue due to the cost recovery of services provided to irrigation districts. The responsibility for the irrigation infrastructure was transferred to the Department on April 1, 2006 and was not considered in the 2006-07 revenue budget. This was offset slightly by a reduction in irrigation site inspections and certifications and a reduction in diagnostic laboratory services.

6. Increased interest revenue due to higher than anticipated interest rates.

7. A reduction in the loan loss provision for the Short-term Hog Loan Program and repayment by Saskatchewan Crop Insurance of a Gross Revenue Insurance Program surplus.

8. Increase in repayment of Research and Development funding provided in previous years and a reduction in the lease payable on closed Rural Service Centres.

Expenditure

9. Savings in Accommodation Services due to utility rate rebates.

10. Grant expenditures were significantly higher due to Wedge funding under the Agricultural Policy Framework for research and innovation programs and funding of the Specified Risk Material Program. The Department also provided assistance to a variety of agricultural programs and initiatives during the year.

11. Additional taxes were paid on Crown Land on cancelled leases and vacant crown land. Included in the program was the Land Revenue Bad Debt Allowance.

12. Sale of Land Bank land was less than anticipated therefore the losses were decreased.

13. Land Revenue Bad Debt Allowance of $148K was included in Land Management Services.

14. The Pastures Revolving Fund cash expenditures exceeded cash revenues resulting in a net expenditure. This was primarily due to a change in the method which capital assets are recorded as well as decreased revenue from oil and gas royalties, timber sales and lower pasture fees charged.

15. Expenditures were lower due to vacancy management, reduced operating costs and decreased demand for Chronic Wasting Disease testing.

16. The Livestock Services Revolving Fund cash expenditures exceeded cash revenues resulting in a net expenditure. The net expenditure was less than budget due to increased revenue from livestock inspections.

17. Information technology service delivery was higher than budget and the environmental programming was transferred to Policy; however, the budget resided in Development and Technology during 2006-07.

18. Vacancy management and reduced operating costs.

19. The irrigation infrastructure rehabilitation was delayed pending development of a detailed plan and approval by Treasury Board. Environmental programming was transferred to Policy however the budget remained in Development and Technology.

20. During 2006-07, Cabinet approved full funding of the 2006 Canadian Agricultural Income Stabilization Program.

21. The Unseeded Acreage Payment Program, which provided financial assistance to producers who were not able to seed all acres in 2006 due to excessive moisture conditions, was announced in July, 2006. Costs of the Program were partially offset by vacancy management and reduced operating costs.

22. Crop Insurance Program Delivery costs were less than anticipated due to fewer claims during the year.

23. Crop Insurance Premiums were reduced primarily due to a drop in average coverage level and a lower number of insured acres partly due to unseeded acres due to moisture conditions.

24. Interest costs were higher than budgeted.

25. Supplementary Estimates and Special Warrants increase the Province's overall budget and are disclosed in the Public Accounts as an increase in the appropriations. In 2006-07 the Department received additional funding of $66.63M through Supplementary Estimates to fully fund the 2006 Canadian Agricultural Income Stabilization Program, for the Unseeded Acreage Payment Program, and to provide additional Industry Assistance. The Department also received Special Warrant funding of $37.434M for the Specified Risk Material Program and for research and innovation projects under the Agricultural Policy Framework Agreement.

26. There is a statutory provision for Revolving Funds when the cash expenditures exceed revenue. Variances for the Pastures Revolving Fund and the Livestock Revolving Fund are explained in notes 14 and 16.

27. A capital expenditure was incurred to replace the roof on the Luck Lake Pumping Station.

28. Lake Diefenbaker irrigation assets were transferred to the Department from Sask Water on April 1, 2006; however, the amortization expense on these assets was not captured in the 2006-07 budget.

FTE Staff Complement

29. The variance was a result of vacancy management throughout the year.

Revolving Funds, Loans And Guaranteed Debt Information

In addition to the information contained in the Financial Schedules, more detailed information on Revolving Funds and Loan Guarantees is contained in Appendices A and B.

Supplementary Estimates/ Special Warrant Funding

In November, 2006, the Department received $66.63 million through Supplementary Estimates. This additional appropriation was required to fully fund the Province's share of the Canadian Agricultural Income Stabilization (CAIS) Program for 2006, to provide funding under the Unseeded Acreage Payment Program to producers who were unable to seed due to excessive moisture conditions, and to provide industry assistance. In March, 2007, the Department received $37.434 million in Special Warrant funding to expand the capacity for research and innovation under the terms of the Agricultural Policy Framework and to fund the Saskatchewan Specified Risk Material Management Program.

Where to Obtain Further Information

The purpose of this section is to provide readers with a means to obtain further information, ask questions or provide comments on the department's performance results.

Readers seeking additional information may consult the SAF website, located at http://www.agr.gov.sk.ca/. This site includes detailed program information, agronomic information, reports, statistics and several interactive features. Additional information may also be obtained by writing:

Communications Branch
Room 101, 3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Readers may also provide feedback on SAF's plan via the above site, at

http://www.agr.gov.sk.ca/apps/Contact/ask_safrr.asp, or by writing to:

Deputy Minister
Saskatchewan Agriculture and Food
Room 101, 3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Appendices

Appendix A – Revolving Funds

Pastures Revolving Fund

The Saskatchewan Pastures Program manages a total of fifty-three (53) cattle pastures and one (1) sheep pasture throughout the province encompassing 839,375 acres. Cattle and sheep are grazed on a custom basis and the land resource is thereby preserved in its current productive state.

This land assists farmers and producers by providing supplemental grazing opportunities in order for them to expand and/or diversify their farming and ranching operations. The operation of the Saskatchewan Pastures Program is supportive of the departmental objectives of increased livestock production and diversification to higher value crops.

Summary of Revenue and Expenses for 2006-07 Fiscal Year (unaudited)

In Thousands of dollars

	Budget	Actual	Variance Over (under)
Revenue	7,835	7,506	(329)[1]
Expenses			
- Operations	7,610	7,881	271[2]
Net Profit (Loss)	225	(375)	(600)
Subsidy from the General Revenue Fund	0	0	0
Net Profit (Loss) After Subsidy	225	(375)	(600)

Explanations of Variance:

1. *Decreased revenues from royalties, timber sales and education tax rebate.*

2. *Increased expenditures due to change in capital thresholds.*

The Pastures Revolving Fund uses revenue generated from patron fees and user fees to operate the program. The fund has the flexibility to operate between a $700,000 deficit and $700,000 surplus on an accumulating basis. Surpluses in excess of the maximum may be paid to the General Revenue Fund; deficits in excess of the maximum are covered by a subsidy from the General Revenue Fund. Since the inception of the fund, there were two years, 1995-96 and 1996-97, where money was transferred to general revenue ($152,287 and $66,040 respectively). In 2000-01 and 2001-02, the General Revenue Fund supplemented the revolving fund in the amounts of $96,984 and $29,351 respectively.

Financial statements are audited by the Provincial Auditor each year. Copies of the audited statements are available from SAF Corporate Services.

Livestock Services Revolving Fund

On behalf of the Government of Saskatchewan, the Livestock Services Revolving Fund provides brand inspection services, registers livestock brands, licences livestock dealers, and provides administrative services for the Cattle Marketing Deductions Fund and the Horned Cattle Fund. These services support the Department of Agriculture and Food's goal of increasing livestock production.

Under authority of The Department of the Agriculture, Food and Rural Revitalization Act and the Minister of Agriculture and Food, the Livestock Services Revolving Fund provides services on a cost recovery basis. Although the Fund is mainly self-sustaining, it receives use of certain office space, capital assets and administration services from the department without charge.

Unaudited summary revenue and expenditure information for 2006-07, relating to the operations of the fund, is provided below:

In Thousands of dollars	**Budget 2006-07**	**Estimated 2006-07**	**Variance Over (under)**
Revenue	2,952	3,384	432[1]
Expenditures	3,156	3,433	277[2]
Net Profit (Loss)	(204)	(49)	155
Subsidy from the General Revenue Fund	-	-	-
Net Profit (Loss) After Subsidy	(204)	(49)	155

Explanations of Variance:

1. *With a significant increase in marketings in 2005-06, it was expected that there would be a slow down in marketings and less inspection revenue in 2006-07, but the slow down was not as large as estimated.*

2. *Expenses increased due to costs related to more inspections than expected and because of salary increases arising from a new union contract.*

Appendix B - Loans and Guaranteed Debt

Livestock Loan Guarantee (LLG) Program

The LLG Program facilitates growth of Saskatchewan's livestock industry by providing producer associations access to credit at favourable interest rates and with limited collateral requirements for purchase of cattle, sheep or bison. The Program may also be used as a management tool to generate cash flow through retained ownership options. The LLG Program supports increased livestock production by providing guarantees to lenders who make loans to production associations and individual feedlot operators.

Breeder Associations (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	22,000	15,248	
Additions			
Reductions	(2,000)	(831)	
Ending Balance	20,000	14,417	(5,583)

Explanation of Variance:
Program participation lower as a result of market uncertainty and the slower than anticipated expansion of the livestock industry in Saskatchewan.

Feeder Associations (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	14,000	10,977	
Additions		329	
Reductions			
Ending Balance	14,000	11,306	(2,694)

Explanation of Variance:
Program participation lower as a result of market uncertainty and the slower than anticipated expansion of the livestock industry in Saskatchewan.

Feedlot Loan Guarantees (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	7,000	0	
Additions		75	
Reductions	(4,000)	0	
Ending Balance	3,000	75	(2,925)

Explanation of Variance:
Program participation lower as a result of market uncertainty and the slower than anticipated expansion of the livestock industry in Saskatchewan.

Feedlot Construction Loan Guarantees (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	5,000	406	
Additions		343	
Reductions	(2,000)		
Ending Balance	3,000	749	(2,251)

Explanation of Variance:
Program participation lower as a result of market uncertainty and the slower than anticipated expansion of the livestock industry in Saskatchewan.

Enhanced Feeder Loan Guarantees (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	1,000	0	
Additions			
Reductions			
Ending Balance	1,000	Nil	(1,000)

Explanation of Variance:
Program participation lower as a result of market uncertainty and the slower than anticipated expansion of the livestock industry in Saskatchewan.

Short Term Hog Loan Program(s)

The Short Term Hog Loan Program(s) supported increased livestock production by providing loans to producers. The initial Short-Term Hog Loan Program that was announced in December 1998, assisted hog producers in offsetting operating losses due to a severe reduction in hog prices at that time. A second hog loan program was announced in November 2002, in response to the high feed prices and depressed market prices that hog producers were experiencing.

During 2006-07, budgeted and actual loans under this program were:

1998 STHP Outstanding Loans (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	44	40	
Additions			
Reductions	(10)	(9)	
Ending Balance	34	31	(3)

Explanation of Variance:
Loan reduction greater than anticipated.

2002 STHP Outstanding Loans (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	9,553	9,623	
Additions			
Reductions	(2,500)	(3,374)	
Ending Balance	7,053	6,249	(804)

Explanation of Variance:
Loan reduction greater than anticipated.

Agricultural Credit Corporation of Saskatchewan

Agri-Food Equity Fund (AFEF) debt was financing used by the fund for agri-value added investments and will be repaid as AFEF investments are repaid.

During 2006-07, budgeted and actual investments were:

Agri-Food Equity Fund (In thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	7,750	7,750	
Additions			
Reductions			
Ending Balance	7,750	7,750	0

Explanation of Variance:
N/A

Appendix C – Saskatchewan Legislation Administered By Saskatchewan Agriculture and Food 2006-07

The Agricultural Credit Corporation of Saskatchewan Act

The Agricultural Equipment Dealerships Act

The Agricultural Implements Act

The Agricultural Operations Act

The Agricultural Safety Net Act

The Agricultural Societies Act

The Agri-Food Act, 2004

The Agri-Food Innovation Act

The Agrologists Act, 1994

The Animal Identification Act

The Animal Products Act

The Animal Protection Act, 1999

The Apiaries Act, 2005

The Cattle Marketing Deductions Act, 1998

The Crop Insurance Act

The Crop Payments Act

The Department of Agriculture, Food and Rural Revitalization Act

The Diseases of Animals Act

The Expropriation (Rehabilitation Projects) Act

The Farm Financial Stability Act

The Farmers' Counselling and Assistance Act

The Farming Communities Land Act

The Grain Charges Limitation Act

The Horned Cattle Purchases Act

The Irrigation Act, 1996

The Land Bank Repeal and Temporary Provisions Act

The Leafcutting Beekeepers Registration Act

The Line Fence Act

The Milk Control Act, 1992

The Noxious Weeds Act, 1984

The On-farm Quality Assurance Programs Act

The Pastures Act

The Pest Control Act

The Pest Control Products (Saskatchewan) Act

The Prairie Agricultural Machinery Institute Act, 1999

The Provincial Lands Act *

The Sale or Lease of Certain Lands Act *

The Saskatchewan Farm Security Act *

The Saskatchewan 4-H Foundation Act

The Soil Drifting Control Act

The Stray Animals Act

The Vegetable, Fruit and Honey Sales Act

The Veterinarians Act, 1987

The Veterinary Services Act

* *Joint responsibility*

Appendix D – Special Purpose Funds and Agencies with Legislative Responsibilities to Saskatchewan Agriculture and Food as of March 31, 2007

	Year End
Special Purpose Funds (Financial Statements are tabled separately)	
Cattle Marketing Deductions Fund	March 31
Horned Cattle Fund	March 31
Livestock Services Revolving Fund	March 31
Pastures Revolving Fund	March 31
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31
Agencies (Annual Reports are published separately)	
Agricultural Credit Corporation of Saskatchewan	March 31
Agricultural Implements Board	March 31
Agri-Food Council	March 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Irrigation Crop Diversification Corporation (ICDC)	March 31
Milk Control Board	December 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Stabilization Fund	March 31
Saskatchewan Crop Insurance Corporation	March 31
Crop Reinsurance Fund of Saskatchewan	March 31

Agencies under the Agri-Food Council

Canaryseed Development Commission of Saskatchewan
Chicken Farmers of Saskatchewan
Saskatchewan Alfalfa Seed Producers Development Commission
Saskatchewan Beekeepers Development Commission
Saskatchewan Broiler Hatching Egg Producers' Marketing Board
Saskatchewan Canola Development Commission
Saskatchewan Egg Producers
Saskatchewan Flax Development Commission
Saskatchewan Forage Seed Development Commission
Saskatchewan Mustard Development Commission
Saskatchewan Oat Development Commission
Saskatchewan Pulse Crop Development Board
Saskatchewan Sheep Development Board
Saskatchewan Turkey Producers' Marketing Board
Saskatchewan Winter Cereals Development Commission
SaskPork

Appendix E - Third Party Funding

Industry Assistance Grants

Wedge and Rollover Funding **34,551**
Funding was provided under the Canada-Saskatchewan Implementation Agreement of the Agriculture Policy Framework for research and innovation projects.

Specified Risk Material Program **7,333**
A payment was made to the Agricultural Stabilization Fund to fund the Provincial portion of the Saskatchewan Specified Risk Material (SRM) Management program. The SRM Management Program provides funding for investment in one-time infrastructure development projects specifically related to SRM handling and disposal.

Meat Processing Strategy **6,337**
Encourages new and expanded slaughter and processing capacity in Saskatchewan. The Meat Processing Investment Rebate Program offers a 15 per cent rebate on construction costs for federally registered new plant construction or expansion. The rebate also applies to costs associated with a change of status from provincially regulated to federally registered status, or a move from federally registered status to European Union status.

Other Industry Assistance Grants **7,315**
Provides financial assistance and compensation programs to support development, expansion and diversification of the agriculture industry.

Research and Technology Grants

Research and Development Grants **7,869**
Funding is provided through a number of mechanisms including the Agriculture Development Fund to support research and development. Areas of focus include, but are not limited to: improved food quality and safety, decreased agricultural production risk, increased livestock competitiveness and the development of proprietary technology and know-how in novel applications.

Strategic Research Programs **2,862**
Provides funding to cover the salaries of 17 Research Scientist/Technician teams at the University of Saskatchewan and the Prairie Agricultural Machinery Institute. The program covers four broad research themes including crop genetic improvement, foods and bio-product development, soils/ environment and livestock research.

Prairie Agricultural Machinery Institute **600**
Core funding is provided to the Prairie Agricultural Machinery Institute which contributes to their mandate of assisting the agriculture industry through applied research, development and testing. PAMI focuses on farm equipment design, bio-energy and processing as well as livestock production and economics through their relationship with the Western Beef Development Centre.

Ag-West Bio Inc. **900**
SAF contributes to Ag-West Bio Inc.'s focus on developing products derived from living organisms with market applications in agricultural, environmental, industrial, energy and bio-processing, and health and nutrition markets.

New Generation Co-operatives **227**
SAF provides funding to assist groups organized as new generation cooperatives or groups considering the new generation cooperative structure. Funding is provided for market assessments, feasibility studies, business planning, organizational development, prospectus and pre-design of facilities.

Development and Technology Transfer

Market Development and Food Value Chain **350**
SAF provides funding and core expertise to qualifying applicants for the purpose of promoting, developing and implementing value chains in Saskatchewan. Potential projects are evaluated according to criteria in four areas: project design, economic impact, applicant capabilities, and value chain development.

Miscellaneous Development and Technology Transfer Grants **281**
Farm Stability and Adaptation

Canadian Agricultural Income Stabilization Program (CAIS) **158,776**
Provides the Provincial contributions to the CAIS Program.

Financial Programs

Unseeded Acreage Payment **15,603**
Assistance to producers who were unable to seed in 2006 due to excessive moisture conditions.

Crop Insurance **85,582**
Provides funding for the Saskatchewan Crop Insurance Corporation(SCIC) to administer insurance programs which protect grain and livestock producers from production failures due to natural hazards. SCIC also delivers programs which compensate producers for crop damage caused by big game and migratory waterfowl.

Lands Management

Lands Branch Taxation Grants **197**
Provides compensation to Rural Municipalities and Conservation and Development Authorities for tax levies on vacant patented Crown Land and for arrears owed on behalf of former Crown Land lessees.

Inspection and Regulatory Management

Miscellaneous Inspection and Regulatory Management Grants **180**

Total Third Party Funding **328,963**

Appendix F - Regulatory Amendments

The 2006-07 regulatory agenda included:

- The Oat Development Plan Regulations establish a refundable check-off similar to the structure successfully established for other development commissions.

- The Animal Custom Care Regulations, 2006 repeal The Animal Custom Care Regulations, 1983 and provide a framework for the proper care of animals including horses, cattle, sheep, goat, swine or interspecies hybrid of such animals and includes a domestic game farm animal as defined in The Domestic Game Farm Animal Regulations.

- The Forage Seed Development Plan Amendment Regulations, 2006 amended The Forage Seed Development Plan Regulations to clarify who is eligible to be a director of the Saskatchewan Forage Seed Development Commission, and clarify the activities that may be conducted at special general meetings of the Commission.

- The Irrigation Amendment Regulations, 2006. The amendments were required as a result of the transfer of irrigation legislation from Sask Water to Saskatchewan Agriculture and Food and consequential amendments to The Irrigation Act, 1996.

- The Unseeded Acreage Payment Regulations provide for a payment to farm operators who were unable to seed at least 95 per cent of their intended 2006 seeded acres due to excess moisture conditions.

- The Unseeded Acreage Payment Amendment Regulations, 2006 amended The Unseeded Acreage Payment Regulations to expand the definition of "historical seeding pattern" and extend the application deadline to October 31, 2006.

- The Winter Cereals Development Plan Regulations establish a refundable check-off similar to the structure successfully established for other development commissions.

- The Silver Land Farm Land Regulations, 2006 enables Saskatchewan Agriculture and Food to sell lands to the Northern Village of Green Lake to increase the community's ability to undertake sustainable economic development.

- The Bison Breeder Associations Loan Guarantee Regulations to provide bison producers an alternative source of credit with which to establish or expand their breeding herds.

- The Cattle Breeder Associations Loan Guarantee Amendment Regulations, 2007 amended The Cattle Breeder Associations Loan Guarantee Regulations, 1991 to increase the combined maximum loan limit for breeder options and give the option of a second guarantee when an association has a member or small portion of the membership in a default position which will likely be resolved.

- The Cattle Feeder Associations Loan Guarantee Amendment Regulations, 2007 amended The Cattle Feeder Associations Loan Guarantee Regulations, 1991 to increase the combined maximum loan limit for feeder options and give the option of a second guarantee when an association has a member or small portion of the membership in a default position which will likely be resolved.

- The Crop Insurance Amendment Regulations, 2007 amended The Crop Insurance Regulations to finalize the program details for the 2007 crop insurance program.

- The Canada-Saskatchewan Specified Risk Material Management Program Regulations provide assistant to industry stakeholders required to make capital investments to comply with the enhanced feed ban regulations due to come into effect on July 12, 2007.

- The Provincial Lands Amendment Regulations, 2007 amended the Provincial Lands Regulations, being Saskatchewan Regulations 145/68 to repeal Part VIII, Schedule six, to increase the fees and rental charged to petroleum and gas companies for surface leases, multiple well heads, easements, temporary work spaces and battery sites and adds a new surface lease amendment fee.